

Newsletter

June 2006



Federal Budget

Overall the Budget looks great in terms of tax cuts and upward shifts in tax brackets.

From 1 July 2006 people earning up to \$75,000 will only pay a maximum of 30% tax. A 40% rate then applies up to \$150,000 and then 45% thereafter. While the tax free threshold is still \$6,000 most people will not pay any tax on their first \$10,000.

From 1 July 2007 changes to the tax on superannuation benefits for many people who have reached 60 years of age is wonderful news. Self employed people will be entitled to a full deduction for superannuation contributions and can ignore the old 75% rule. Self employed people will also be able receive the Co-Contribution by making undeducted contributions.

Work Choices

Work Choices is a hot topic at the moment, but not all employers are covered by the new Industrial Relations laws. The new laws apply to businesses operating through a company structure who employ less than 100 employees. If you are trading as a sole trader or through a partnership the new laws do not apply to your business.

In the first instance we recommend you speak with your industry association to see if they are doing anything to resolve this issue. We also suggest you talk with your association about the use and effectiveness of Australian Workplace Agreements within your industry. These are employee work agreements and may be of value to your business. Let us know what your association has to say. If you have no industry association then please give us a call to discuss your Work Choices position.

Superannuation Choice

Choice of Super is still high on the agenda. Although not all employees are currently eligible for 'Choice', many more employees will become eligible from 1 July 2006. If you are an employer and you have not made any effort to find out about 'Choice', you need to talk to your advisor now. Even though many small employers are simply offering 'Choice' to all staff, you really need to check what Award your staff are covered by, to ensure that you are meeting all Award conditions.

Employee Starter Kit

We suggest that you put together a starter kit of forms to be provided for new staff. This will allow new staff to be given their kit with all necessary forms and documents. Many business clients forget to offer a new employee one or more forms and pay the price later. It won't take much to set up a kit including a Tax File Number Declaration, Superannuation Choice form, Personal Details Form (name, address, date of birth, next of kin etc), Statement of Duties, Roles & Responsibilities and so on. All businesses will have different packages or kits to offer new employees.

ASIC Fees for New Companies

From 1 July 2006 it will be cheaper to buy a company. The usual cost to buy a company is around \$1100 at the moment but is to be reduced by \$400. It seems that the Federal Government is keen to get businesses operating through company structures. Maybe this has something to do with the new Industrial Relations laws applying to companies but not sole traders or partnerships. If you employ staff and you are operating as a sole trader or partnership, you may need to talk to us about the possibility of using a company structure to operate your business.

Employee v Contractor

The ATO has devised a web-based tool to assist business people work out if a worker is an employee or a contractor. This seems like a bit of overkill to us. While most people already know the difference many choose to engage 'subbies' because they think they can escape the need to pay Workers' Compensation premiums and the 9% Superannuation. The ATO position is clear. They want workers put on wages and to receive their appropriate workers' compensation cover and superannuation support. If you are engaging subcontract workers who might reasonably be regarded as employees you should talk to us.

Motor Vehicle Log Books

If you are required to keep a log book, you need to remember that they are only valid for 5 years. Prepare a new log book if you are close to the 5 year limit. Do not underestimate the ATO capacity to disallow expenses if log books are not perfect.

Land Tax

Land tax is generally payable when the value of business and investment property reaches \$352,000 (excluding your home). The value is not the purchase price or market value, but a value determined by the Valuer General. This value is available from the Land Tax Office.

Payroll Tax

Payroll tax is payable when your payroll exceeds \$600,000 per annum. Staff wages, superannuation contributions and other benefits, as well as payments to some sub-contractors are included in the calculation.

Self Managed Superannuation Funds (SMSFs)

Clients are always asking about how much money they need to get in to a SMSF. The ATO and ASIC seem to think that anything less than \$200,000 is not viable. We believe that it is not just the dollar value that is important. The big question is 'Do you have the skills, knowledge and time to run the fund? The ATO is concerned that many people do not yet have the skills and knowledge and the ATO is focussing on educating fund trustees in their roles and responsibilities.

Entrepreneurs Tax Rebate

A new Entrepreneurs' Tax Rebate is available to small business operators with a turn-over of less than \$75,000 per year. The rebate is designed to help small businesses enjoy a little amount of tax relief. It is not exciting, but it is worthwhile knowing about the rebate.

30% Child Care Rebate

A 30% Child Care Tax Rebate is a new feature in the 2006 Tax Return. This rebate of up to \$4000 per child is available if you used approved child care in the 2005 tax year, received Child Care Benefit (CCB) through the Family Assistance Office and passed a CCB work/training/study test. While the rebate is generous, you have to wonder about the common sense in providing a rebate more than a year after you spent the money. The rebate only reduces your tax bill and it is not a 'cash in hand' refund. If your personal tax payable is low or you do not need to lodge a tax return you can transfer your rebate entitlement to your spouse and your spouse can claim the rebate.

Rental Property Owners

The ATO believes that records maintained by rental property owners are often poor and that there is an inadequate understanding of tax law in relation to rental property. As a result, rental property audits will again be a strong feature in this year's ATO audit activity and they will look closely at repairs, improvements and interest deductions.

If you are buying a residential investment property that was built from July 1985 we recommend you obtain a certificate from the vendor or the builder, confirming the property's eligibility for a building write-off deduction. In 1992 a law was introduced to require the vendor to provide the certificate if the property was built from February 1992. The tax deduction can be quite large and it is worth the effort. Talk to your solicitor about getting the certificate when purchasing the property.

Energy Grants Credit Scheme (EGCS) is changing

The Government announced proposed phased-in changes (not yet law) to the current EGCS from 1 July 2006. If you are GST registered and currently receive a fuel rebate under the EGCS, you will now claim a new 'Fuel Tax Credit' when you lodge your BAS. The new scheme applies to road transport activities where the vehicle has a GVM over 4.5 tonne and uses petrol or diesel. There is to be no 'metropolitan transport exclusion' in the new scheme. The new Fuel Tax Credit also applies to the use of diesel in some off-road activities in agriculture, fishing, forestry and mining to mention a few. If you are not registered under the current scheme & wish to find out more then give us a call.

Quality Assurance Review

In the last few months our practice was subjected to a QA Review by the National Institute of Accountants (NIA). The purpose of the review is to determine whether our practice has adopted and is adhering to 'best practice' procedures. This is not a review of our clients; it is a review of how we conduct our practice. We are pleased to say that the NIA has congratulated us '....on demonstrating a high level of professional and ethical standards.'

Email Addresses

Please send us an email to bruce@bng.com.au so that we can update our records with your correct email addresses. We are moving more towards communication via email and those clients who currently deal with us this way have already recognised the benefits.



Bruce & Neryl Graham

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