



Newsletter

Winter 2011 Edition

Happening at CAS

The tax checklists are on their way, the accountants have been attending tax update seminars to prepare, our 2011/12 tax software is being loaded - **yes it's tax time!**

Not only are we busy preparing but we are making some changes as well. Our currently part time associate accountant will be joining us full time in July. Byron has an infectious enthusiasm that is warmly embraced by our team and clients. He will be looking after individuals and small businesses and brings a wide range of knowledge and experience to the role.

We also have to let you know that Boris Chang is now a fully qualified CPA - all that hard work and study has paid off - congratulations!

What keeps your accountant up at night?

- 73% Time management
- 52% Tax laws and regulation changes
- 27% Generating more business
- 18% Technology



2011/2012 Budget basics

Again this year the main aim of the budget is to return the economy to surplus by 2013. The tax benefits are quite minimal for individuals, especially for high income earners who might actually pay more tax. Minimal benefits for businesses as well, compounded by the poor targeting of the proposed concessions/benefits. However there is potential for other proposed changes to have an indirect affect.

The key changes proposed by the government are:

- Training and other incentives to boost the workforce and address the skills shortage
- Development of infrastructure in regional areas
- Training and development of skills to address high unemployment in regional areas
- Investing in regional education
- Investing in suburban areas to reduce traffic congestion
- \$2.2 billion over five years from 2011/12 in its *National Mental Health Reform* package to deliver additional services, a greater focus on prevention and early intervention, and a better integrated system.
- Reforming primary health care with more integration of the systems
- **Supporting families with teenagers by increasing the annual rate of Family Tax Benefit (FTB) Part A for families with dependants aged 16 to 19 years who are enrolled in full time secondary school study**
- **Flexible access to Family Tax Benefit (FTB) Part A family payments to meet unexpected expenses, such as a repair bill.**
- A better start and continued support for children with disability.
- Improvement of school infrastructure
- Rewards for great teachers and creation of new pathways into a teaching career for professionals with specialist qualifications or relevant experience
- **Greater choice about when and how parents receive their Child Care Rebate payments**
- **Expanding the Education Tax Refund (ETR)**
- Supporting Australian manufacturers to ensure the manufacturing industry benefits from the mining boom
- Introduction of the emissions trading scheme. The price of carbon is yet to be determined.
- Reformation of the fringe benefits tax (FBT) valuation of car benefits.
- For small business, Instant write off of all assets costing less than \$5,000, and a new measure allowing an immediate deduction for the first \$5,000 of a motor vehicle from 2012/13.
- The Government is also introducing, from 2012/13, an early reduction in the company tax rate to 29 per cent
- The Government will also reduce Pay As You Go installments for 2011/12 for the majority of small businesses
- Targeting cash economy contractors in various industries via data matching



What is the flood levy?

The government has introduced a Temporary Flood and Cyclone Reconstruction Levy (flood levy) applying to income for the 2011-12 year only.

It is designed to assist affected communities to recover from the recent floods by providing additional funding to rebuild essential infrastructure - for example, roads, bridges and schools.

Individual taxpayers, both residents and non-residents, who have a taxable income over \$50,000 in the 2011-12 financial year will have to pay the flood levy.

If you earn salary and wages, the flood levy will be automatically taken out with your tax by your employer.

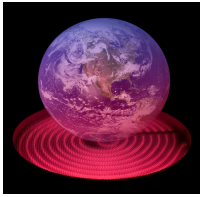
If you pay installments towards your expected tax liability, the flood levy will automatically be included in your installment rate. This includes self-employed, investors, or self-funded retirees.

Taxable Income	Flood levy on this income
\$0 to \$50,000	Nil
\$50,001 to \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1c for each \$1 over \$100,000

"The difference between an ordinary man and a warrior is that a warrior takes everything as a challenge, while the ordinary man takes everything either as a blessing or a curse."

Don Juan

Joking Around



Carbon Tax Debate

The Australian Government's Special Adviser on climate change issues, Professor Ross Garnaut, has submitted his final commissioned report. The report proposes a carbon price of \$26 per ton, expected to raise \$11.5 billion in its first year of operation. Professor Garnaut suggests that over half the revenue should go to households as compensation, more than a third to businesses and the remainder toward funding innovation and new technologies related to climate change mitigation.

Under the proposed framework, low and middle income earners would be fully compensated for the price increases arising from the carbon tax via an increase in the tax-free income threshold to \$25,000 and the removal of the low-income tax offset and the senior Australian's tax offset. This would be accompanied by an increase in personal tax rates or a lowering of tax brackets for higher income earners (currently those earning \$80,000 per annum and above). Professor Garnaut argues that those that can afford to pay the carbon tax should do so without government offsets.

While none of this is yet government policy, the government and the Multi-Party Climate Change Committee can draw on these ideas to finalise the carbon tax policy.

CPA Australia believes the tax and welfare issues associated with the carbon tax should be deferred for final consideration, along with the proposed Minerals Resource Rent Tax, at the government's proposed Tax Forum, scheduled for Tuesday 4 and Wednesday 5 October.



Buy/sell agreement

Buy-sell agreements are often an important, and yet often overlooked, agreement a business can have in place. It is wise that where more than one business owner is involved that a properly prepared buy-sell agreement is in place.

This, in simple terms, is an agreement that specifies how the business will continue and how ownership will be transferred when a 'trigger' event occurs. Trigger events include the death, disability, retirement, divorce or bankruptcy of one of the business owners.

A correctly prepared buy-sell agreement will ensure that:

- the transition to new ownership will be smooth
- a predetermined mechanism is in place to set the purchase price
- the business won't be subject to a fire sale and thereby risking a potential loss of money.

Commonly the purchase will need to be funded and, in the case of death or disability insurance policies, these can be structured in a tax effective way to provide this funding.

If you would like more information contact us for details of one of our referral partners.

Next issue Key Man Insurance

MORE QUOTES

My wife has a slight impediment in her speech....

Every now and then she stops to breathe. **Jimmy Durante**

I have never hated a man enough to give his diamonds back. **Zsa Zsa Gabor**

Sometimes, when I look at my children, I say to myself,

Lillian, you should have remained a virgin...**Lillian Carter** (mother of Jimmy Carter)



The Tax Time Scammers

This tax time you may receive an SMS or email from the ATO or notice their presence on social media sites such as Facebook, Twitter or YouTube. This presence is legitimate and can be accessed through

www.ato.gov.au.

The ATO will never use these channels to request that you confirm, update or disclose confidential details like - name, date of birth, address, passwords or credit card details.

For your own protection never respond to unsolicited emails or SMS messages claiming to be from the ATO which request money or personal details.

Hoax emails and websites can look very convincing, but are often poorly worded and contain spelling and grammatical mistakes.

If you receive a request of this nature, you should report it to the ATO immediately.



Tax Tips for TAXPAYERS

The looming end of financial year offers more than an opportunity to review the year just gone. It also provides the chance to align your affairs to achieve the most effective tax approach in the coming year – this applies equally to businesses and individuals.

The issues for **Individual taxpayers and investors** to consider include:

- claiming all work-related deductions (for example, uniform, telephone costs, subscriptions, home office expenses).
- claiming all your rental property deductions (for example, advertising, body corporate fees, repairs, loan interest, depreciation).
- Maximizing motor vehicle deductions. The proportion of work-related travel for which your vehicle is used will determine the level of vehicle running expenses you may be able to claim.
- An education tax offset is available for eligible families (those who have claimed Family Tax Benefit A) for 50 per cent of the cost of items such as educational software, home computers and associated costs, home internet connections, laptop computers, printers, school texts, stationery and trade tools

Business considerations include:

- this is the final year in which companies can claim the investment allowance
- Trusts: how will proposed changes to the tax treatment of trusts affect those in discretionary trusts and those who use a trusts in a business?
- Reviewing salary sacrificing arrangements: changes to the fringe benefit tax treatment of company vehicles may in fact be more suitable for some employees.
- The tax treatment of expenses paid by companies for shareholders or other associates (Division 7A).

Other issues which business and individuals may need to bear in mind as year-end approaches include the tax treatment, and the new rules for unpaid present entitlements and trusts.

Knowing what to claim can be difficult - a quick call to us can set your mind at ease and ensure the best possible tax outcome.

Disclaimer: While due care is taken in preparing comment on topics this newsletter is not intended to provide advice. If any of the topics above cause concern or general interest please do not hesitate to contact our office.