

"In Brief with Elite"

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Spring has sprung!!! And so has the 4th and largest edition of our quarterly newsletter, "In brief with Elite". Contained inside are the current issues concerning tax, accounting and wealth creation.

You will notice that you have received this edition via email and not via the post. This is to be our preferred method of delivery for future editions. If you wish to be posted a copy or do not wish to receive our newsletter, please contact us so that we may update our records.

At Elite, we thrive on client referrals and recommendations so if you know of any businesses or individuals that would benefit from our outstanding and professional range of services, please pass our contact details onto them.

As previously noted if you have any comments regarding the newsletter or have any suggestions of what you would like to see in these pages please do not hesitate to contact us.

IMPORTANT DATES

Sept Quarter BAS/IAS

Self prepared 28 October 2005
EFS Prepared 25 November 2005

October Monthly IAS

21 November 2005

November Monthly IAS

21 December 2005

Income Tax Returns where taxpayer does not have a tax agent

31 October 2005

Where two or more prior year Income Tax Returns are outstanding

31 October 2005

DISCOUNT CAR BUYING SERVICE

We have recently introduced a new service to our portfolio. A discount car buying service. So the next time you are thinking of buying a new car, truck or even business equipment let us know. This service will provide YOU with hassle free, competitive quotations. YOU won't have to worry about negotiating prices with that car salesman, YOU won't need to waste time ringing or visiting dealerships and there is no need to give out your personal or financial details to different institutions.

Simply give us the details of what type of car or equipment you want and we take it from there. Trade-ins are also negotiated.

The cost, only \$44.00.

ATO DATA MATCHING

Over the past few years the Australian Taxation Office has stepped up and improved its data matching process to ensure taxpayers report all their assessable income in any given financial year.

Data-matching has been a successful part of the ATO's strategy for identifying and dealing with non-compliance for a long time.

By comparing external data with

taxpayer records they can detect people who are failing to lodge returns or disclose income.

For example, each year the ATO runs an extensive income matching program. Under this program information supplied by banks and other financial institutions, companies, Centrelink and employers is matched with taxpayers' returns to check that interest and dividends (including from managed funds), benefits and employment income is corrected reported.

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Data matching is also an effective way to ensure people who profited from the recent property market boom correctly disclose any capital gains on the sale of investment properties. For this purpose the ATO gathers data from land titles offices and state revenue agencies, to identify purchase and sale data.

This year the ATO will also match data on share market transactions to ensure capital gains realised are correctly reported.

So ensure that you provide to us details of all transactions that you received income from as chances are if you don't include it in your return the ATO will find it and include it for you!!

PERSONAL TAX RECORD KEEPER

Available as a free download from www.ato.gov.au the record keeper makes it easier for you to maintain complete and accurate tax records.

Its specially designed rental property and capital gains tax screens let you know which records to keep and how to organise them. You can record details of income, expenses and assets.

Convenience – You can record tax related details as they happen. If you have expenses you need to claim, you can enter the details at the time of the event and file your receipts. You can then print the details and give them directly to us.

Save Time – You can roll over information from the previous year. If you used the record keeper during the 2004-05 financial year and still have that file on your personal computer you can use the information you have stored to pre-populate your 2006 record keeper file.

Flexibility – You only need to download and install the record keeper software once. More than one person in a household may use the same software to keep their records. The record keeper will prompt each new user to save their file to a particular name.

Security – The record keeper does not connect to the internet or any other system. You need to enter your tax file number to access your records. This helps protect your privacy from other users of the computer.

Help Only a Click Away - The record keeper provides access to publications, rulings, help screens and examples.

Also included are links to further information to make it even easier for you to understand your tax obligations and entitlements.

CGT ISSUES – REAL PROPERTY

If you don't move into your main residence 'as soon as practicable' after settlement you may have a capital gain when you sell the property. You should keep this in mind particularly if you buy a property which is being rented.

If you leave your house vacant after moving out (ie not producing assessable income) you will still have a CGT liability for the period up until you sell the property (six month moving rule permitting), if you are claiming a main residence elsewhere.

You should keep complete and accurate records, even for your main residence. Your circumstances can change, and it may be difficult to reconstruct documents.

The ATO's new range of electronic fact sheets provide you with information that you need in an easy to understand format on topics such as:

- property renovations – Are you in the business of renovating properties or a personal investor?
- Subdividing land – What are the CGT implications of subdividing land, including subdividing your main residence?
- Important dates relating to real estate – When to use contract dates and settlement dates to make capital gains tax calculations?
- Record keeping for real estate – What records to keep for any real estate you own?
- Inherited real estate – Are you entitled to an exemption from capital gains tax on an inherited dwelling you have disposed of?

- Is your home exempt from capital gains tax – Are you entitled to the main residence exemption from capital gains tax?

CGT ISSUES – WORKING FROM HOME

Working from home may result in losing capital gains tax if you own your own home.

This issue will not arise if you rent your home, or if you maintain a home office but do not actually carry on a business from your home. If you rent your home and have a home based business, part of the rent can be a business expense.

On the other hand, if you own a house or unit that is used partly to carry on a business, when you sell it you may be taxed on a portion of any capital gain that arises in the period that the property was used for business purposes.

The percentage of business use of the home will also be taken into account.

As long as the property has not previously been used for income-producing purposes, the cost base for CGT purposes will be the property's market value at the date that you started to use it for business.

If the property is sold at least 12 months after it was first used for business purposes, you will be able to claim the 50% CGT discount.

BUSINESS OWNERS – ESTATE PLANNING

Business owners usually have some sort of a business plan.

They also frequently have key-person insurance in place.

Some even have a succession plan in mind.

But even if business owners have all such risk management approaches in place, the chances are they still do not have a properly developed estate planning approach.

Estate planning is something overlooked by most Australians, and perhaps this is understandable.

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After all, who really wants to plan for what happens after their own death?

But the impact of lack of estate planning, coupled with the death of the person who is the driving force behind a family business, can be devastating, not just because of the family's emotional loss, but for their future well-being and the survival of their business.

Take the simple example of a husband and wife who own 50% each of a company worth \$1,200,000 that they set up jointly when it had no value at all.

If the business is left equally to three children, and the parents are killed simultaneously in an accident, the small business CGT concession is lost as no one holds 50% of the business.

The capital gains tax payable in this instance could be \$291,000, a tax payment that could have been avoided if the family business had been structured in a different way.

It is also a tax payment that family members may have difficulty funding if their own finances are tied up in the business.

This is one example of the importance of estate planning for all business owners to ensure that the full value is gained from their inheritance.

Who gets what assets, and the CGT treatment of each, can mean some family members inherit a large CGT obligation while others receive their inheritance tax-free.

CHRISTINE'S CORNER SUPER UPDATE

With the introduction of Super Choice industry funds have been heavily promoted as offering lower fees when compared to retail super funds.

Don't let the promise of savings lure you! Fees are not the only factor you should consider when choosing a super fund. Weigh up all aspects of a fund like the level of service offered. In some cases higher fees may be justified for the additional services provided. Valuable services you should look out for are:

- Advice – industry funds' fees may be cheaper as they don't pay an adviser to offer you super advice. Getting advice on super strategies and government schemes will keep you informed to make the right choices.
- Investment options – more investment options gives you greater flexibility. For example our recommended super funds offer up to 90 investment options across all assets classes.
- Binding nomination of beneficiaries – lets you choose who will receive your superannuation benefit if you pass away. All retail funds offer this whereas only 22 percent of industry funds offer this service.
- Administration service standards – includes customer service and regular documents like member statements. Services standards of retail funds are much higher than industry funds.

When you decide to change your superannuation fund we can recommend a fund that is backed by finance research agencies and is suited to your needs. On top of this, the recommendation is combined with effective advice which can help you contribute even more to your super.

So before you jump into a low fee superfund speak to us and let us help you make an informed decision.

SELLING SHARES

Australia has a relatively high proportion of private ownership of listed public companies.

For many it's part of a retirement plan. Others see the sharemarket as a good way of preserving and growing the value of their assets.

When there is a "correction" like the one that recently occurred, investors get nervous. They think about selling shares before values become even lower. Before doing so they should seek advice and remember their overall investment strategy and the need for a long term view.

If share portfolios have been built up over a number of years, current low prices may still result in capital gains.

Tax may be payable when the shares are sold and this will reduce funds available for investment.

And, if growth is still required for the fund to provide a comfortable retirement, how will the proceeds of any share sale be re-invested? A bell doesn't ring when a bear market hits bottom and when the market turns, share prices can rise quickly.

Realisation that it's a good time to reinvest usually comes some time after the market has actually turned. By then, share prices may be higher than the amount they were sold for and this can be a psychological barrier to reinvestment.

Experience investors will tell you its often better to ride out falls in the market.

QUOTE OF THE QUARTER

Luck is what happens when preparation meets opportunity!

FINAL THOUGHTS

With the year quickly coming to an end, why wait till New Years Day to make that resolution to sort out your wealth creation and protection affairs. With the share market trading at all time highs are your assets earning you the greatest return that they could?

In this time of ever increasing threats on our civil liberties are you and your family adequately covered in the event of an accident?

Some may say that it will never happen to them or that there is always time to start saving for retirement. But, as history has shown, the earlier you start preparing for these events the more comfortable you will be later in life.

So give us a call and we will help you plan for those "golden" years

DISCLAIMER

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