

"In Brief with Elite"

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Inside this Issue

**Christmas/New Year
Trading Period**

Important Lodgement Due Dates

**Incorrect Rental Property
Travel Claims**

**ATO Compliance Focus For
2004/2005**

**Changes to Donation
Deductibility**

**How Long Must You Keep
Your Records?**

**Fringe Benefits –
Tax & Christmas**

**What Are The Differences
Between Co-Contributions and
Super Spouse Contributions?**

Vendor Duty Tax

Land Tax Changes

Build Your Business

**Wealth Creation
- Christine's Corner -**

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**From all the staff at EFS
we wish you a very merry
Christmas and a safe and
prosperous new year!**

Welcome to the first edition of Elite Financial Solutions' newsletter, "In Brief with Elite". This and further newsletters are full of interesting articles that we know will be of interest to you, your business and your overall financial wellbeing.

It will cover issues regarding the creation and maintenance of your wealth as well as the important ATO, ASIC, OSR and Business Development issues. It will be published on a quarterly basis and from the second edition forward can be found posted on our website, www.elitefinance.com.au in the week before the start of a new quarter.

If you would like to receive the newsletter via email, please update your email address with your client manager the next time you call.

OFFICE CLOSING DATES FOR THE CHRISTMAS PERIOD

Our office will be closed for the Christmas break from 4pm on the 23rd December 2004 and will re-open at 9am on the 10th of January 2005.

CHECK OUT OUR NEW WEBSITE

Elite Financial Solutions will be releasing its new look website early in the New Year. Visit the site at www.elitefinance.com.au. Some of the benefits to you include:

1. Access to a vast range of fact sheets and articles providing

questions relating to Capital Gains Tax, Income Tax, GST, Negative Gearing, Business Development, Wealth Creation and other common and not so common areas of interest.

2. Links and contact information for important government and regulatory authorities.
3. 24 hour Access to My Net Wealth, where you can access all of your online investments made with Elite Financial Solutions.
4. Front-page news stories that are relevant to our clients.

IMPORTANT LODGEMENT DUE DATES – JANUARY to MARCH 2005

- December Quarter BAS/IAS – 28th February 2005
- January Monthly BAS/IAS – 21st February 2005
- February Monthly BAS/IAS – 21st March 2005
- 2004 Income Tax Returns – 31st March 2005

INCORRECT RENTAL PROPERTY TRAVEL CLAIMS

The ATO has issued statements that many taxpayers are making incorrect travel claims associated with owning a rental property.

A taxpayer is not automatically entitled to claim two trips a year to inspect their property; they must actually incur the expense. Also taxpayers have not been apportioning their travel between business and personal use. Generally speaking, if a taxpayer spends one day inspecting a property during a 3-day trip then only 1/3 of the expenses are deductible. Finally it has been found that taxpayers have

"In Brief with Elite"

been claiming 5,000 km for work as well as extra km's for rental property travel claims. The legislation states that the 5,000 km relates to total travel during the year, made up of both rental and work related travel.

ATO COMPLIANCE FOCUS FOR 2004/2005.

The ATO has stated that for the 2004/2005 financial year that Capital Gains Tax (CGT) and Rental Property claims will be under increased scrutiny from its compliance team.

Advanced data matching techniques linked into several state revenue offices is being used to ensure that capital gains are being correctly disclosed by taxpayers.

Rental Property Audit Schedules are likely to be sent to taxpayers with unusual amounts claimed in their rental schedules as part of their income tax returns, much like the Work Related Expenses Schedules. These schedules ask for information regarding the individual items in a rental property schedule and may lead to further investigation of actual invoices and supporting documents.

Overall the ATO is warning taxpayers to keep adequate and proper records with respect to the above items to support their claims.

CHANGES TO DONATION DEDUCTIBILITY

Certain fundraising events conducted by deductible gift recipients (DGRs) encourage contributions which may at the same time extend minor benefits to the contributor. As benefits would be received in return, the contributor would not be able to claim the contribution as a tax deductible gift. From 1 July 2004, a deduction is allowed where the contributor receives a benefit in connection with the contribution, provided certain conditions are met and the benefit does not exceed a specified amount.

The measure allows a deduction for eligible contributions to DGRs where the value of the contribution is more than \$250, and the minor benefit received in return is no more than \$100 or 10% of the value of the contribution, whichever is less. The measure applies to specific one-off fund raising 'events', which may include a contribution for a right to attend, or participate in, a fundraising event (for example, the purchase of a ticket to attend a charity ball or a successful bid at a charity auction).

HOW LONG MUST YOU KEEP YOUR RECORDS?

- Individuals (Income Tax) – 5 years
- Businesses – Non Company (Income Tax, GST) – 5 years
- Businesses – Company (Income Tax, GST) – 7 years as per the Corp Act 2001
- Businesses (Workers Comp i.e., wage and contractor records) – 7 years

FRINGE BENEFIT TAX & CHRISTMAS

As we move through the festive season it is important to note that certain expenditure on staff Christmas gifts and parties may be subject to Fringe Benefits Tax.

Staff Gifts: The cost is tax deductible and exempt from FBT as long as it costs less than \$100. If a gift and a Christmas function are provided to staff, keep them separate otherwise the combined cost counts towards the \$100 minor benefit FBT exemption.

Client Gifts: The cost is tax deductible but if the gift is 'entertainment', then it is not tax deductible. A Christmas function involving food and alcohol is regarded as entertainment.

The cost of providing the Christmas function to employees and their associates (eg. Spouse and children) is deductible, but subject to FBT.

The cost of providing the Christmas function to non-employees is not tax deductible, and FBT is not applicable.

Staff Parties: Food and drink provided to employees, on a working day on business premises, is exempt from FBT.

If the food and drink provided to employees is simply a light meal without alcohol, then it will be tax deductible. But if it amounts to entertainment, it is non-deductible.

If employees' spouse and children attend the function on business premises, then the usual tax treatment applies – the cost of them attending is subject to FBT and is tax deductible.

If the cost per person of the function is less than \$100, then the portion applicable to employees is exempt from FBT as a minor benefit.

WHAT ARE THE DIFFERENCES BETWEEN SUPER CO CONTRIBUTIONS AND SPOUSE SUPER CONTRIBUTIONS?

Co-contributions: Last year, the Federal Government introduced some new rules to make it more attractive for low-income earners to contribute to super. For any personal, after tax contributions you make to your super account after the 1st July 2004, the government will co-contribute (that is match the amount dollar for dollar) up to \$1,500 provided you meet the eligibility conditions.

To be eligible for the incentive, you must be under 71 years of age and earning income plus reportable fringe benefits of less than \$58,000 a year. If you earn more than \$28,000 a year then the maximum contribution of \$1,500 will be reduced by 5 cents for every dollar of annual income over \$28,000.

Spouse Contributions: This concept was primarily introduced by the government to increase the amount of super held by low income earning spouses.

"In Brief with Elite"

The key differences to the co-contributions incentives are:

- The contributions are made by one spouse into an account held by the other (whereas with co-contributions you contribute to your own account).
- The receiving spouse does not have to be working, but must be less than 65 and earning less than \$13,800.
- The contributing spouse can receive a tax rebate (\$540 maximum).
- You must be a permanent resident of Australia.

VENDOR DUTY TAX

From 1 June 2004, the NSW Office of State Revenue (OSR) introduced the 2.25% Vendor Duty Tax. This tax is payable on the transfer of land related property in NSW. The 2.25% is applied to the dutiable value of the property and is payable at settlement. Certain exemptions apply regarding this new tax, such as the sale/transfer of a principal place of residence or the sale/transfer of primary production land. Generally speaking it will capture most sales of investment properties and becomes a capital cost to apply in the CGT calculation in your income tax return.

LAND TAX CHANGES

Changes to another NSW OSR tax in the form of Land Tax will take affect from 1 January 2005. All property owned in NSW at midnight on 31 December 2004 will be subject to land tax unless it is your principal place of residence. The thresholds that used to exist have been abolished. If you were showing on our system as owning a rental property and not having paid land tax before you should have received a letter from our office advising of the changes and how we can go about registering your land for you. If you have not received this letter or wish to obtain more information please visit our website or contact your client manager in the office.

ENGAGEMENT LETTERS

You will have noticed that enclosed with your completed annual accounts this year is an engagement letter for your signature and return. This is an important document as it sets out the terms of our continuing appointment as your accountant and business adviser. Please read through this letter carefully as it should answer most of your questions regarding the services you have asked us to provide to you.

BUILD YOUR BUSINESS

As well as being your accountants, Elite Financial Solutions are also your business advisers. We can help you with all your business development needs including budgeting, forecasting, preparation of business plans and undertaking business reviews and check-ups. Also, we can assist you in the buying or selling of a business as well as succession planning. Finally we can also organise business finance for the purchase of a business or for the purchase of motor vehicles or plant and equipment.

We are in the best position to help you grow your business, so if you would like some more information regarding these services please visit our website or contact James Solomons in our office.

WEALTH CREATION - CHRISTINE'S CORNER -

Are you frittering away a fortune? Most people will earn more than a million dollars during their working lives. Unfortunately, most of these people will only manage to retain a small fraction of that money for themselves.

Are you putting aside part of your hard-earned income from your businesses for the future, or are you putting off your saving and investing until another day?

The best advice on saving is to start now – the sooner you start saving towards your goals, the better your chances of achieving them.

Our in-house Financial Planner, Christine specialises in providing relevant, objective and easy to understand advice on all aspects of saving and investing, plus advice on the valuable tax concessions available to longer-term investors.

Why don't you contact Christine today who can help you set up your own savings strategy.

QUOTE OF THE QUARTER

From the desk of David Harrison

"Small opportunities are often the beginning of great enterprises"

INTERESTING READING

"Motivated Money"

by Peter Thornhill.

NEED TO KNOW MORE?

If you require any further information regarding any of the articles in this issue please do not hesitate to visit our website or to contact your client manager.

FINAL THOUGHTS

Here at Elite Financial Solutions we aim to take the stress out of dealing with all your financial affairs. We are your "one stop financial shop". By offering all these services under one roof, we allow you to deal with the one office, thereby taking the hassle out of trying to deal with many people all trying to get the best result for themselves. So, next time you have a financial problem with which you need advice, remember, "Where else but Elite"!

DISCLAIMER

The information contained in this newsletter is of a general nature and is not constituted as advice. Elite Financial Solutions take no responsibility for clients who act upon the information contained in this newsletter without consulting us first. Christine Hallows is an Authorised Representative of Count Wealth Accountants.