

"In Brief with Elite"

Vol. 2 March 2005



Inside this Issue

New Staff

Seminar

Tax Planning

Important Dates

Bad Bookkeeping

Minising Accounting Costs

STS Choice

25% Entrepreneurs' Tax Offset

Non Commercial Losses

Changes to SGC Reporting

Employee Choice of Superfunds

Business Lending

Investigation of DIY Super Funds

Lost Super – We can help

Who should have a Will ?

**- Christine's Corner -
Strategies to beat the taxman and
build your wealth**

Contact Details

David Harrison

davidharrison@elitefinance.com.au

Harry Yen

harryyen@elitefinance.com.au

Sam Hasna

samhasna@elitefinance.com.au

Christine Hallows

christinehallows@elitefinance.com.au

James Solomons

jamesolomons@elitefinance.com.au

Welcome to the second edition of "In Brief with Elite". We trust that you found the first edition informative and useful for you and your business. We always welcome feedback and suggestions on particular articles that may be of interest to you.

Our new and improved website is almost up and running and will be an informative tool both for your business and your personal wealth creation and management.

**From all the
staff at Elite
we wish you a
safe and
Happy Easter!**



NEW STAFF

We would like to introduce the newest staff members who have joined the team at Elite.

Cathy Ward – Receptionist/Secretary

Jessica Yoon – Trainee Accountant

Lourdes Nielsen – Administration Manager (previously our Receptionist/Secretary)

SEMINAR

Elite Financial Solutions is hosting a complimentary seminar on Tuesday, 10/5/05 at 6:30 pm at our office on retirement planning.

The purpose of the seminar is to assist our clients determine whether they will have sufficient wealth to fund their retirement and how Elite can assist with planning for the future.

Please email our financial planner christinehallows@elitefinance.com.au to book your place.

TAX PLANNING

As we head into the last 3 months of the financial year, now is the time to do some tax planning!! Shortly your Client Manager will be contacting you to obtain your business trading information for the 9 months ended 31 March 2005. Please have this information compiled and sent to our office in a timely fashion so that we can help you implement an appropriate tax minimisation strategy before the end of the financial year.

IMPORTANT DATES

March Quarter BAS/IAS

Self prepared 28 April 2005
EFS Prepared 28 May 2005

April Monthly BAS/IAS

21 May 2005

May Monthly BAS/IAS

21 June 2005

2005 Fringe Benefits Tax Return

Completed Schedule to EFS
25 April 2005
Lodgement and payment
15 May 2005

BAD BOOKKEEPING

Businesses who continue to keep poor records, despite warnings from the Tax Office, will face penalties.



"In Brief with Elite"

Tax Commissioner Michael Carmody said under the law penalties can be imposed for poor record keeping in recognition of the fact that without proper records, there can be no guarantee that people are meeting their tax responsibilities.

"During field visits and audits, record-keeping practices will be checked and people will be given a written report including suggestions for improvement where required," Mr Carmody said.

Generally, people will be given an opportunity to improve their record keeping before penalties are considered.

If people do not take this opportunity then penalties of up to \$2,200 may apply.

"We will not penalise those who make honest mistakes or those who have made a genuine attempt to improve their records," Mr Carmody said.

"Also, people won't be penalised if it's clear that the correct amount of tax has been paid despite the poor records.

"Our emphasis is on helping people to both keep good records and to meet their tax obligations.

"We offer a range of assistance to help businesses do their tax, including free electronic record-keeping software."

The Tax Office has developed a penalties and record-keeping practice statement in consultation with business people.

Check with your client manager if you have any doubt about your record keeping practices.

MINIMISING ACCOUNTING COSTS

You may or may not be aware that most Accountants charge on a time basis. Therefore the less time that it takes to complete your job, the less costly the job will be. Below is a checklist that will assist you in gathering information and help reduce accounting costs.

Helpful Hints

1. Costs for the job are based on time spent on the job. The more presentable your documents, the less time spent, which means the costs are lower. You can minimise the costs by doing some of the basic clerical work yourself.
2. Please endeavour to provide all requested information in the first instance. This will reduce the need to start/stop/start your job and reduce the cost and delays in the whole process.
3. If we stop your job to wait for missing information, we will not start it again until work begun in the waiting period is finished. This will further delay your job, so to improve our service to you, please provide us with as much information as possible, as soon as possible after we request it.

Thank you for helping us complete your work more efficiently.

STS CHOICE

Simplified Tax System (STS): Taxpayers Can Choose Tax Accounting Method

In December 2004, the Government introduced *Taxation Laws Amendment (2004 Measures No 7) Bill 2004 (TLA No.7 of 2004)* which amended the STS to remove the requirement that STS taxpayers must calculate their taxable income on a cash basis. Instead, STS taxpayers will be able to calculate their taxable income using the most appropriate method for their circumstances. That is, they will be able to choose whether to use the cash or accruals method of tax accounting. This amendment will apply from 1 July 2005.

25% ENTREPRENEURS' TAX OFFSET

Taxation Laws Amendment No.7 of 2004 also introduced the "25% entrepreneurs' tax offset". This offset was one of the Government's election promises and will apply from 1 July 2005. This offset applies to small STS businesses who have an annual turn-

over of \$50,000 or less. Such taxpayers will be entitled to a tax offset of 25% of their income tax liability in respect of their business income. The offset will phase-out when the annual turnover is greater than \$50,000 and less than \$75,000.

NON COMMERCIAL LOSSES

The non-commercial loss provisions are aimed at taxpayers running businesses which the ATO considers "non-commercial".

A typical example is a taxpayer with substantial income running a hobby farm which generates a loss and thereby reduces overall tax payable.

The provisions do not apply in the following circumstances:

- a. Venture is one of primary production or a professional arts business, and your total income from other sources does not exceed \$40,000 or
- b. Venture is run via a trust or company structure.

If the non-commercial loss provisions do apply, you must disclose (in your tax return) the type of loss incurred and whether or not it can be offset against your other income by virtue of meeting certain criteria.

To be able to offset such business losses, the venture needs to:

- a. Have at least \$20,000 in assessable income for the year; or
- b. Have produced a profit in at least 3 of the past 5 years; or
- c. Use real property valued in excess of \$500,000; or
- d. Use other assets valued in excess of \$100,000.

In certain circumstances, the Commissioner of Taxation may exercise a discretion to allow the loss, even if the above tests are not satisfied.

If the venture does not meet any of the criteria, you will generally have to defer claiming the loss until there is sufficient income from the venture to offset it.

"In Brief with Elite"

CHANGES TO SUPER GUARANTEE REPORTING REQUIREMENTS FOR EMPLOYERS

Under new superannuation guarantee arrangements, employers will not be required to report to employees on superannuation contributions made after 1 January 2005.

The requirement for employers to report superannuation guarantee payments, including salary sacrifice contributions, made on behalf of their employees under the *Superannuation Guarantee (Administration) Act 1992* has been removed for all employers.

However, if employers are covered under workplace legislation or award agreements that require them to report superannuation contributions on pay-slips, they will still be obligated to report to their employees.

There is no requirement for employers to cease reporting and existing reporting arrangements may be retained. There may be advantages in employers continuing to report in terms of employee relationships and minimising employee enquiries, particularly where processes are already in place.

Employers will still be required to pay superannuation guarantee contributions on behalf of their eligible employees at least quarterly or they will be subject to the superannuation guarantee charge if they fail to do so. Final dates for contributions are 28 January, 28 April, 28 July and 28 October each year.

EMPLOYEE CHOICE OF SUPERFUNDS

From 1 July 2005 employees now have the option of choosing where they wish their SGC 9% employer superannuation contributions to be contributed to. Simply, this means that by 28 July 2005, all employers must give all their employees the choice of either choosing a new fund to contribute to or keeping the existing arrangements the same.

The ATO will begin a mailout to all employers by the end of April 2005 explaining exactly what are the re-

quirements and penalties for non-compliance.

We will keep you updated as we receive more correspondence from the ATO over the coming months.

BUSINESS LENDING

At various stages in the life of a business, various opportunities and challenges arise where an injection of funds may be needed.

Does your business need finance for the following:

- Working capital
- Expansion
- Purchase of commercial premises
- Debt consolidation or refinance at a more competitive rate
- Repayment of shareholder loans
- Plant and equipment finance

Elite Financial Solutions can offer finance for business lending and personal lending and can also provide leasing and hire purchase facilities. One of our lenders is currently charging **7.6%** pa for loans over \$300K. Are you paying more than that on your current facility?

Please give our Financial Planner, Christine Hallows a call on 9868 3900 to discuss your lending requirements.

INVESTIGATION OF DIY SUPERFUNDS

The Tax Office has announced plans to double its superannuation fund audits to identify non-complying funds.

The Tax Office is concerned that a number of self-managed funds may not be complying fully with the superannuation laws. Common breaches include:

- A fund having more than four members;
- Using an invalid trustee, such as a trust or partnership; and
- Using the fund's investment money to purchase items not solely for the members' retirement.

The funds most likely to come under the scrutiny of the Tax Office include funds with offshore investments and those in operation for more than five years.

Funds in breach of the law could have their earnings taxed at 47% or 48.5% rather than the usual 15%. The increased tax rate would also apply to the capital of the fund.

Caution: Ownership of items such as artwork, holiday or recreational properties, jewellery or other items which may not be strictly for commercial investment should be avoided unless you have obtained specific specialist advice and that advice has been reviewed recently.

LOST SUPER – WE CAN HELP

Mailouts to lost superannuation members has started.

In an effort to help reunite people with their lost superannuation, the ATO recently commenced mailing letters to a number of people currently on the lost members register.

The ATO is planning to send 500,000 letters before the end of June 2005. The letter encourages people to contact their superannuation fund directly.

As you begin to discover the possible thousands of dollars of retirement money that belongs to you, now is the perfect time to ensure that your superannuation is invested in the right funds to ensure maximum benefits upon your retirement.

Our Financial Planner, Christine Hallows will be more than happy to assist you in recovering that lost superannuation and also to advise you of where your superannuation can be invested to work the best for you.

WHO SHOULD HAVE A WILL?

A Will is a binding legal document that sets out what is to happen to the assets of a person when they die. It is very important to understand who should have a Will, even those with only a modest level of assets or income. The reasons for this are twofold – personal assets usually increase over

"In Brief with Elite"

time and a Will provides certainty as to who is to receive the assets. If there is no Will, there is a legal formula setting out how the assets of a deceased person are to be shared. Having a Will therefore, helps avoid the significant delays or litigation that can occur when a person dies without a Will.

A Will can also assist the trustee of a deceased person's Superfund in deciding to whom the superannuation benefits are paid.

Parents of minor children or people at greater risk in their jobs or in their out of work activities, such as miners or light aircraft pilots, should consider making a Will right now if they have not already done so. People going overseas for extended periods also often find it useful to make a Will to give them peace of mind.

It is important to bear in mind that a will is just not about assets – there are a number of other matters that can be included in a Will such as guardianship of children or organ donation, other wishes relating to the administration of assets or properties, for example.

The safest way to make a Will is through a solicitor. Whilst there are cheaper alternatives to solicitors available, such as Will kits, having a solicitor draft your Will ensures that your wishes are properly recorded and that your Will is drafted and witnessed properly.

CHRISTINE'S CORNER

Most Australian's spend more money on their tax bills than on any other single expense – including their own home.

With 30 June approaching again, now is the best time to organise your finances in order to gain maximum tax deductions.

If you know you will have a tax liability due from income tax or capital gains tax, why not contact our Financial Planner, Christine Hallows to consider strategies to reduce tax before 30 June.

One of the strategies may include:

Making deductible superannuation contributions.

If you are an employer, self employed or you or your partner receive less than 10% of your total assessable income from an employer who provides Superannuation Guarantee support, you can claim a tax deduction on your super contributions up to an age-based limit.

As an employer, 100% of contributions made up to the Age Based Limit are deductible, whereas if you're self employed, you can claim the first \$5,000 of your contribution as a tax deduction, plus 75% of the remaining balance up to your age-based limit. For the 2004/05 financial year, the age-based limits for maximum tax deductions are:

Age	Maximum tax deduction available	Total contribution required by self-employed in order to gain maximum tax deduction
Under 35 years	\$13,934	\$16,912
35-49 years	\$38,702	\$49,936
50 years +	\$95,980	\$126,306

Saving through superannuation, which is concessionally taxed at a maximum of 15%, can ensure you accumulate wealth faster than if investing at your marginal tax rate.

Another strategy may be **GEARING**. If you wish to accelerate your wealth faster and at the same time reduce your tax bill, you could borrow to invest.

Whether the purpose is to invest in property, direct shares or managed funds, Elite Financial Solutions can help you determine the best strategy for your individual circumstances.

Why not call our Financial Planner, Christine Hallows, on 9868 3900 to discuss minimising your tax and maximising your returns.

QUOTE OF THE MONTH

*From the desk of
David Harrison*

"Success is a journey not a destination"

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 contact your client manager.

FINAL THOUGHTS

With the ever changing laws and regulations concerning both your business and your personal wealth, one cannot help feeling a little bit overwhelmed.

At Elite we endeavour to minimise the effects of these changes on you by providing pro-active and up-to-date advice. This way your business and personal affairs can continue to run smoothly with the confidence that you have made your decisions based on the latest governing legislation.

This is our commitment to you in our role as your Accountant, Business and Financial Advisers.

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.