



# solutions news

06.2007

The 2006/2007 year has been a year of consolidation for MBS, with our tax team now being led by Kingsley Mason and the huge amount of work in the Self Managed Superannuation Fund area is keeping me busy.

As you know, we regularly visit the Kimberley, Alice Springs, Nyngan, the South East and more recently Port Lincoln. This diverse coverage enables us to experience tax and business issues across a broad spectrum. We consider this knowledge to be invaluable in dealing with the diverse client range that we have. Each area has their own issues and challenges, and we appreciate the opportunity to work with and assist our clients in those areas.

The topic on everyone's lips is the drought, having had a wide impact not only on the farming community, but also a very significant impact on the rural businesses that support the farmers. The issues we are dealing with still have a way to run, with everyone not feeling secure until what we hope will be a great harvest is delivered. There appears to be an early break to the season, so we all have our fingers crossed that the rains continue. Last year Bordertown had the driest year on record, when 236mm was received for the year, with the only other year coming close being 1914 when 237mm was received. There were five occasions when rainfall fell below 300mm, and Bordertown is supposed to be the safe area.

Given that the year's income is low, it is tempting to think that Superannuation is not an issue this year. However if you are approaching 60, then a very important strategy is available by contributing to a super fund up to a \$1m per person by the 30th June. This may be in the form of cash, non-residential property including rural land or public company shares. If it is too late to do this by June 30th, then talk to our office, as alternative strategies are available

from 1st July 07. The main value in doing this is that the income that the fund generates is tax free to the fund, and tax free to the members, when the member's accounts are converted to pension accounts. Paula will deal with these matters in more detail later.

Our main bread and butter is Income tax, and like most areas of our lives it just never seems to stay the same for long. Given that we all have to deal with GST issues and other red tape, you can be assured that we're always seeking an easier and cost effective way to deal with these matters.

On top of this, while we find that computers have helped, to be of any real value one must be prepared to be in a state of constant learning, both in how to use the technology and the software installed - at times this can be quite daunting. (We can be thankful that we're surrounded by so many young ones who appear to take to it like a duck to water, as opposed to that old adage involving "old dogs" and "new tricks"). The combination of the changing tax and IT environment is a dangerous mix often resulting in the information we receive needing a considerable amount of time to massage into shape. I remember back in the 70's and 80's when we introduced cash books, the first few years were tough going for everyone, but the quality and accuracy of presentation steadily improved to every one's benefit, and so it will happen with computers. This coming year we wish to spend time with clients who are having problems now, so that the problems can be minimised later. If you are experiencing data processing issues, please contact us and we will try and assist you.

Alternatively, if you're looking for a more user friendly program, we can always meet and discuss your options, of which there are plenty.

On a more personal front we have seen Paula graduate with a double degree in Accounting and Business Law, with Brad also not far behind as he's now in his last semester of Accounting. More recently Adam Altus (of Keith fame) has joined the MBS family as an accounting trainee, and even now whilst on the local flavour, we're in the process of hiring a new country person into the front desk administration position. So don't be surprised when you're greeted by a new friendly voice in the very near future.

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Whilst last year travel was a major feature in our out of work life, this year we've delved into the world of sponsorship. Being the generous, empathetic mob that we are, a few of us participated in the worthy cause of Movember raising some substantial funds for research and awareness into male depression and prostate cancer. As you can see from the picture, we truly have set new standards in facial hair.

Beyond the obvious joy that we get from our tax work, we have a lot to look forward to in this coming year. With the wedding of Paul and Paula in September (the lengths we have to go to these days to retain staff!) and at the same time my daughter Leanne and Raph having their first addition in Switzerland, the year can't be anything but exciting. The challenge going forward will be in getting any sort of productivity out of Paul and Paula ...

DES MURRAY FCPA

## TAXATION ISSUES

### BUDGET 07

You could be mistaken in thinking that the budget this year was all about super again, for it's certainly been the focus of many ad campaigns on TV and in the paper of late. Beyond the super fervour, there are some other little morsels that are worth your attention.

#### Tax Rates

- Again the tax rates have seen some change with cuts being phased in over the 2007/08 and 2008/09 tax years (see table below).
- Those eligible for the Senior Australians Tax Offset (SATO) will have the first \$25,867 for singles and \$43,360 for couples tax free. Tax returns may not be needed if the income is below those levels, however a return may need to be lodged to get the refund of Franking Credits on dividends.
- The Low Income Tax Offset (LITO) has increased such that those eligible for the full LITO will not have to pay tax until their annual income exceeds \$11,000, and minors \$1,667

### Small Business Changes

Changes with effect from 1 July 2007

- The annual turnover thresholds for GST registration will be raised to \$75,000 for businesses and to \$150,000 for non profit bodies.
- Purchases by business valued at \$75 or less (ex-GST), won't be required to provide a tax invoice to claim an input tax credit.

#### Superannuation

- The Government will pay a one off additional co-contribution for those persons who made eligible contributions in the 2005/06 year, effectively doubling the co-contribution to a max of \$3000. Must be an election coming up!

### OTHER TAXATION MATTERS

#### Drought Relief for Small Business

You may not be aware that the drought relief packages for those in Exceptional Circumstances (EC) areas also applies to businesses that employ less than 20 staff and derive at least 70% of their income from the provision of goods and services to farmers located in such areas. >>

>> This change is to recognise the impact that the prolonged severity this drought is having not just on farmers, but on the rural and regional communities and businesses that service them. To confirm your eligibility for this assistance, please contact the National Drought Assistance Hotline on 13 23 16. Further information can also be sought from Centrelink at [www.centrelink.gov.au/internet/internet.nsf/payments/drought\\_assist.htm](http://www.centrelink.gov.au/internet/internet.nsf/payments/drought_assist.htm) and the Department of Agriculture and Fisheries at [www.daff.gov.au/droughtassist](http://www.daff.gov.au/droughtassist)

#### Trading of interest in Forestry Managed Investment Schemes (MIS) (eg. Great Southern Trees)

From 1st July 2007 the Government will allow trading of both existing and future interests in forestry managed investment schemes (MIS's), subject to a minimum four year holding period for initial investors. The secondary investors' acquisition will not receive the same up front tax deductibility status as was received by the initial investor. The harvest proceeds will be treated as sale proceeds, therefore being the disposal of the investment and triggering an associated capital gain or loss.

These measures will apply to interests in pre-existing schemes as well as future investments in newly established schemes. For anyone who has invested in a forestry scheme prior to 1st July 2003 will be able to trade their interest as of 1st July 2007. Please seek advice on the tax implications on the trading of your interests prior to undertaking any transfers.

On this topic, please find attached some further information discussing the current state of play at Great Southern

LISA MACDONALD  
PAUL MURRAY

Current tax thresholds (2006/07) Income range (\$)	Rate %	From 1 July 2007 (2007/08) Income range (\$)	Rate %	From 1 July 2008 (2008/09) Income range (\$)	Rate %
0 – 6,000	0	0 – 6,000	0	0 – 6,000	0
6001 – 25,000	15	6,001 – 30,000	15	6,001 – 30,000	15
25,001 – 75,000	30	30,001 – 75,000	30	30,001 – 80,000	30
75,001 – 150,000	40	75,001 – 150,000	40	80,000 – 180,000	40
150,000 +	45	150,000 +	45	180,000 +	45

## CGT – WATCH OUT FOR THE STING IN THE TAIL!!

There are many clients looking to transfer property to the next generation and are getting ready for retirement, but be aware of Capital Gains Tax. Although many of these assets don't leave your control or usage, the act of moving them from A to B is generally classed as a "capital gains event" and can incur unexpected tax liabilities.

The capital gain may be subject to some discounting and roll over concessions, but at the end of the day, what is left over is added to

your taxable income and that becomes your new taxable income albeit at a much higher marginal rate. By all means be pro active and think aggressively about wealth creation and positioning yourself in the best possible situation, but seek some professional assistance to minimise your exposure to taxation.



**“WITH THE TREND TOWARDS LONGER RETIREMENT, BUILDING YOUR ASSETS IN THE MOST EFFECTIVE WAY IS MORE IMPORTANT THAN EVER. IN CONJUNCTION WITH MURRAY BUSINESS SOLUTIONS, WE CAN HELP YOU PUT FINANCIAL STRATEGIES IN PLACE NOW TO ACHIEVE YOUR INDIVIDUAL LIFESTYLE GOALS IN RETIREMENT”**

**LEON CHIERA** INVESTMENT ADVISER, ASSOCIATE DIRECTOR - MACQUARIE PRIVATE WEALTH

## RECORD KEEPING

Yes, it's all very mundane and monotonous, but it is critical to the smooth administration of your business and is a legal requirement these days. An area of anxiety for us is the lack of detail written in the memo or description field of your computer records. Take for example an expense described as “repairs to plant”, that is not a description, as we know that because you have allocated it to the repairs code, but our team members and yourselves will have more meaningful data if you note it as “JD tractor

filters” or “photocopier service”. Please do not just ‘return’ over this field in data entry but put in some meaningful description. Records have to be maintained for 5 years, so with the amount of stuff we have to hold in our brain, typing in the details makes it easier.

When you create a new code/category in any of the computer programs that you use, think about where it should be created, whether it should be a debit or credit and what the GST treatment should be. Please take the time to

give us a quick call if you are unsure, it saves a lot of amending journals, adjusted BAS returns and incorrect business reports based on misleading data. If you don't know how to get the best out of your program, give us a call as we have team members who can help you.

The time we spend unravelling poorly presented data is reflected in the time it takes us to complete your financials and the professional fees incurred.

## ARE YOU COVERED?

There is no doubt we live in a busy world and sometimes the ordinary things that should be done just don't get done – despite our very best intentions.

Having a current will and an enduring power of attorney prepared, signed and stored in a safe place is one of the most important things you can do for yourself and your immediate family. It is not necessary to be constantly changing and re-drafting your will, but every so often it is a good idea to reread the copy of your will to ensure it still is current with your present situation and gives clear and concise directions to your executors. Give consideration

to appointing an alternate executor so there is someone to step in should there be a death and you haven't updated your will or in the case of a double fatality. It is also becoming quite common to prepare other documents including a Medical Power of Attorney at the same time as updating your wills. These are very important documents given the increasing age expectancy today, and we urge you to discuss them with your solicitor.

Remember if you have a Family Trust then the assets of that trust are no longer able to be directed/distributed in the manner you think through your will, as they are no longer your

asset to control. Also assets of your super fund are not necessarily part of your personal estate and need to be addressed through a binding death nomination, or appropriately worded provisions in the will.

All pretty morbid stuff, but don't underestimate the importance of attending to these matters. Do yourself a favour today, look at your most current will and then take some action for your sake and the sake of your family.

**KINGSLEY MASON**

## SUPERANNUATION ISSUES

Well 2006/07 has been a busy time for superannuation. Last year's budget significantly changed the super environment and the past few months have seen a frenzy of people contributing money, shares and property to super. However it is important to remember that the superannuation gates do not close on 30th June 2007, we just have some new rules to play by:

### The new contribution rules

Changes with effect from 1 July 2007

- Members can contribute up to \$50,000 of concessional (deductible) contributions each year
- Members can also contribute up to \$150,000 of non-concessional (undeducted) contributions each year.
- If a member is at least 50 years of age, they can contribute up to \$100,000 of concessional contributions each year (instead of just \$50,000)
- There is also a provision to bring forward your non-concessional contributions for a 3

year period, giving you access contribute up to \$450,000 in any one financial year. This strategy would require careful planning and we recommend you speak to our office prior to implementing this.

### The new pension rules

Changes with effect from 1 July 2007

- As has been widely advertised by the Government, if you have reached 60 years of age, any pension withdrawals – lump sum or pension income, from your superfund are tax free. As such it may be attractive to convert your superfund to pension mode from the beginning of the new financial year. If you think this applies to you, please contact me and we can discuss your situation. Retirement is not required.

### Estate Planning

- Whilst we have always been advocates of self-funding your retirement, and contributing as much as you can to your self-managed superfunds, it is equally important to give consideration to getting your money out of superannuation, both in pension mode and

upon the death of a member. We are currently in the process of reviewing all superannuation trust deeds, and existing death benefit nominations, and may be contacting you to review your situation. If you feel this is an area you wish to discuss, please contact our office.

- The abolition of RBLs (the limits you could have in super) in last year's budget has also made self-insuring through superannuation a more attractive prospect. A self-managed super fund can claim a deduction for life insurance and total and permanent disablement insurance premiums. There are estate planning issues involved so please give me a call if you would like more information.

Superannuation remains an area of huge growth and opportunity, and I look forward to dealing with you and your self-managed funds in the coming year.

**PAULA MASON**



## CLIENT NOTE

Loud Whisper is a multi-disciplinary studio delivering fresh and exciting new solutions through their youthful and professional approach to design. Specialising in identity and brand development, print and publication, advertising, signage, web and motion design. Call Timothée Christinat or Matthew Daniell on 08 8363 5549 to discuss any design requirements and visit their website to see some fresh ideas.

[loudwhisper.com.au](http://loudwhisper.com.au)

### BILL GATES vs GENERAL MOTORS

For all of us who feel only the deepest love and affection for the way computers have enhanced our lives, read on.

At a recent computer expo (COMDEX), Bill Gates reportedly compared the computer industry with the auto industry and stated, "If GM had kept up with technology like the computer industry has, we would all be driving \$25.00 cars that got 1,000 miles to the gallon."

In response to Bill's comments, General Motors issued a press release stating:

"If GM had developed technology like Microsoft, we would all be driving cars with the following characteristics:

1. For no reason whatsoever, your car would crash..... Twice a day.
2. Every time they repainted the lines in the road, you would have to buy a new car.
3. Occasionally your car would die on the freeway for no reason. You would have to pull to the side of the road, close all of the windows, shut off the car, restart it, and reopen the windows before you could continue. For some reason you would simply accept this.
4. Occasionally, executing a manoeuvre such as a left turn would cause your car to shut down and refuse to restart, in which case you would have to reinstall the engine.
5. Macintosh would make a car that was powered by the sun, was reliable, five times as fast and twice as easy to drive - but would run on only five percent of the roads.
6. The oil, water temperature, and alternator warning lights would all be replaced by a single "This Car Has Performed An Illegal Operation" warning light.
7. The airbag system would ask "Are you sure?" before deploying.
8. Occasionally, for no reason whatsoever, your car would lock you out and refuse to let you in until you simultaneously lifted the door handle, turned the key and grabbed hold of the radio antenna.
9. Every time a new car was introduced car buyers would have to learn how to drive all over again because none of the controls would operate in the same manner as the old car.
10. You'd have to press the "Start" button to turn the engine off.



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