



solutions news 06.2008

MBS is now completing its fourth year in business and it has been yet another successful year for the firm, as we strengthen our resources and expand our team.

Accounting and tax compliance is a field that is constantly evolving and increases in complexity every year. I believe our ability to manage this is a testament to our team, combining youth and enthusiasm with the experience of the more 'mature' members of the team. We remain a firm of country origins with all of the staff hailing from Bordertown, Keith or Port Lincoln, and their contributions to the firm combine to create a dynamic and enjoyable place to work.

Paul has completed the refurbishment of our office, all whilst planning for the big day in September 07 which saw he and Paula – our "Super" Girl, happily married. The year also included Brad graduating from Adelaide University in March 08, gaining his degree in Accounting. Of course study is not yet complete, for Brad has now joined the CPA study train which Paul and Paula had boarded the year before.

At the new end of town we have Adam, Emma and Melissa who are all engrossed in their university accounting studies and will have their heads down for the next few years to come. As for the older fossils in the office, Kingsley and I have the daily challenge of surviving and keeping up with events as Governments and big business strive to make themselves efficient by forcing firms like ours to do their work for them! The ATO then has the audacity to say they are becoming more efficient!

Lisa and Caroline have continued to be the stalwarts they are, keeping everyone on track in their respective areas, along with Sally - that cheerful voice you hear first when you phone the office. It is with mixed feelings though that we say a collective farewell to Caroline, as she has

chosen to take on new challenges out from the MBS umbrella. Sadly we send her on her way having given so much from what was originally a temporary position, yet on the flipside we are excited for her and wish her all the very best for the future. On the whole, we really do have a great young team, and I am very proud of the work they do.

Outside of our office, some of our rural clients in the South East have been recovering from the worst drought in recorded history, whilst our Nyngan and Eyre Peninsula clients have suffered a second drought year in a row. The Kimberley continues to change and morph into a new guise with Sandalwood taking over where sugar left off, and Alice Springs seems to be in a holding pattern because their Labor Government seems focused on Top End matters. Adelaide continues to grow and develop in its own quiet way and is a wonderful city.

After a long run of the Howard Government, we have seen a change of government with Kevin Rudd now at the helm. Whilst there has been very little change in national policy that we can discern at present, I am sure there is something cooking in the background. The budget was disappointing in that it seemed to be largely politically motivated with no major initiatives, but a rather shallow attempt to increase revenue from those who get off their butt and become successful. As for the tax on alcopops, it is bound to have a major impact on what young people drink!

Another event of note for us this year has been the recent share market correction. After a sustained run of growth in the share market for the last few years, the market took a break

and fell by around 20% - surprisingly only about half the 1987 fall. It is interesting to note that the fall in 1974 was when we had the Whitlam Government, 1987 it was the Hawke Government and 2008 - Kevin 07.

AUSTRALIAN STOCK MARKET (the last 40 years)



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Such a correction is good for the market as it shakes out the companies with poor management strategies. Any fool can make money in a strong market, but when we have share corrections or droughts, poor management is exposed. We believe that in a modern sense, investment funds are best placed in the property or share market if only for the reason that it tends to provide the investment with some protection against inflation, in contrast to cash which depreciates in value due to inflation and tax. The correction has presented a good environment for long term investment.

As you would appreciate, taxation, superannuation and accounting is a challenging environment but if it is done well, there are

considerable tax and investment benefits to be gained. *This is our mission and our challenge, to provide our clients with wealth accumulation strategies that are tax efficient and educative.* It is one thing to make money, but retaining income for investment in the future by minimising tax is the goal.

We are all looking forward to the upcoming New Year. If the rains continue, the economy continues to grow, and grain prices hold firm, then it will be a good year for all.

DES MURRAY

POSTAL UPDATE

Due to some changes in the delivery services by Australia Post, please ensure all mail is addressed to PO Box 3195, as any mail directed to our street location will not be forwarded onto us.

TAXATION ISSUES

BUDGET 08

The first budget of the Rudd Government certainly did not hold any major changes to our current tax regime. There were quite a few "leaked" details days before the budget, so no surprises on the night. One of the biggest statements to be made was the terms of reference for the comprehensive review of Australia's tax system. Our tax system can certainly do with an overhaul as the level of complexity and interaction between all the components is becoming a minefield and in many cases getting beyond the ordinary employer and employee to negotiate with any degree of certainty. Let's hope this is not yet another series of band aids to a battered and poorly conceived series of legislation, but a complete re-write. We are not holding our breath!

The main highlights to affect ordinary business and personal taxpayers include:

- Personal income tax cuts (see below)
- Tightening the rules surrounding some FBT concessions provided after 13/05/2008 (see below)
- Increase in child care tax rebate for out of pocket child care expenses
- 50% education tax refund for eligible education expenses from 01/07/08
- Income test on senior's health card to apply to certain superannuation income streams

PERSONAL INCOME TAX CUTS

The long term goal of this and the previous Government has been to get back to a 3 rate tax system, however we still have the four rates for now, which have been tweaked once again to provide you with the promised tax break.

FRINGE BENEFITS TAX CHANGES

There are a number of benefits that can be provided to employees via salary packaging that are specifically exempted from being considered a "Fringe Benefit". The latest budget seeks to tighten the rules surrounding these concessions through changes such as:

- Work-related items (e.g. laptops, personal digital assistants and tools of trade) purchased after 7.30pm on 13 May 2008 will only be available where the items are used primarily for work purposes and will be limited to one item of each type per employee per year.
- For new arrangements from 7.30pm on 13 May 2008, the full value of a benefit that has been provided to both an employee and an associate in relation to a jointly-owned asset (for example, a low interest loan or reimbursement of expenses related to a rental property or shares) will be subject to FBT. Employees who have already entered into salary sacrifice arrangements will be able to rely on such arrangements until 31 March 2009

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

KINGSLEY MASON
PAUL MURRAY

ANNUAL CHECK-UP

Life is busy for most people, and it is easy to overlook the very important documents, that in a time of crisis can be critical. Please take the time to check that your important documents are current and in a safe location.

For any further details or an explanation of how they impact on your financial situation, please do not hesitate to contact our office.

- Will
- Power of Attorney
- Life Insurance
- Insurance – income protection, trauma cover, total & permanent disability
- Guardianship
- Binding Death Benefit Nomination in your Superfund



“AS H. JACKSON BROWN JR ONCE WISELY QUOTED, IN ALL AREAS OF YOUR LIFE ‘STRIVE FOR EXCELLENCE, NOT PERFECTION.’”

KINGSLEY MASON TAXATION MANAGER

SUPERANNUATION ISSUES

SUPER IS NOW AN INTEGRAL PART OF CLIENT BUSINESS STRUCTURES

With base tax rates as they are, it is seen to be a significant advantage to be holding investment assets in super. In previous years, a family trust was the preferred vehicle and does still have its role to play. However, a trust does not pay tax and so must distribute its income every year to the family members thereby incurring tax at their marginal rates, usually at 31.5%, whereas a super fund pays tax at 15%. Capital Gains are also taxed at a much lower rate, being 10% compared to a maximum of 24.5% to individuals.

To gain an ongoing tax benefit, your business / farm property (or part thereof) could be owned by your super fund and rented by the business. This gives the business a tax deduction at its marginal rate and is then taxed in the fund at 15%. Naturally, in the long term the sale of the property will, in all probability, be tax free.

With the abolition of the limits as to how much you could have in super (RBL), the removal of tax on pension and capital withdrawals from the super fund after the age of 60, and an increasing life expectancy we can look forward to, a long retirement in a tax free environment is really worth planning for. In fact, this is probably the only benefit we can see in being 60!

INSTALMENT WARRANTS

Instalment warrants are certainly the talk of the town at the moment, with an amendment to the SIS Act in September 2007, enabling

super funds to borrow money to invest. This is a significant change for the superannuation environment, as the restriction on borrowing has always been a cornerstone of the Act. It's worth noting that the lawyers we deal with regularly are saying that presently there is very little take up, primarily due to the following reasons:

- Financial institutions have yet to determine how the borrowings should be structured.
- Costs of borrowing will be higher.
- The potential for paying stamp duty when the property is transferred to the fund at end of the loan.
- Tax deductions are only at the Super Fund rate of 15%.

None the less, if you are interested in exploring the options surrounding instalment warrants, please feel free to contact us for further details.

TRANSITION TO RETIREMENT PENSION

As many of the Baby Boomers ease their way into retirement, much focus has shifted from getting money into super, to accessing benefits. The transition to retirement pension allows members who are 55 and over to 'top up' their income by withdrawing an income stream from their super fund. This style of pension is designed to suit those who are still working, as the member can still contribute to super, providing they are either under 65 years, or are still working.

This type of pension does not allow the income stream to be paid as a lump sum; it must be paid out as regular payments, and is limited to a maximum of a 10% drawdown of a member's balance per year.

From a personal tax perspective, between the ages of 55-59, the income from the pension is taxed at marginal rates, with a 15% tax offset, and from age 60, the pension income is tax free.

DEATH, WILLS AND SUPERANNUATION

A matter that is becoming quite important given the strong growth in superannuation via Self Managed Funds, is the issue of what happens to superannuation benefits upon death. You cannot assume that your Will will automatically deal with the issue and we urge you to seek advice from your solicitor on this matter. We recently attended a seminar and this matter was discussed - it was pointed out that the will should have the power for the Executors to be appointed as Trustees of the Super Fund. A correct course of action could mean the winding up of the super fund tax free, or alternatively it could mean that a form of death duty could be paid by the beneficiaries.

DES MURRAY
PAULA MURRAY

WHEN IS THE 30TH JUNE, NOT THE 30TH JUNE!

Super is now an integral part of Client Business Structures

The 30th June this year is a Monday, so for many it will be stocktaking during the weekend or at least getting the staff to complete it in the first few days of the week.

However for your superannuation contributions, it could be a trap for young players. Under the very strict guidelines dealing with contributions to superannuation funds, you must have paid the money AND HAVE YOUR FUNDS CLEARED before the end of trading on the 30th June to be a permissible deduction, and to ensure those contributions are counted toward your 2008 contribution cap. So our suggestion is to make your decision early and get your cheques underway by Thursday 26th to ensure they have been cleared to get your tax deduction.

Whilst on the subject of ensuring you are eligible for your deductions, remember if you have employees and are therefore liable for the minimum 9% superannuation guarantee payment on their total salary, you have only 28 days after the end of the quarter to make the payment to their fund of choice. If you make the payment late, you are denied a tax deduction for the payment. If you do not make the payment and the ATO find out about it, not only must you still pay the super and not get a deduction, but you will also be fined the same amount as the original contribution plus hit with a Super Guarantee Charge. We have noticed increased ATO audit activity in this area, so we recommend that you reconcile your wages, workcover and super regularly and that you include a copy of your reconciliations with the working papers you submit when we prepare your tax affairs.

SOFTWARE UPDATES

Many of us are resistant to change, particularly those of us who are sneaking on a bit, but sometimes change can be good for us. In line with this, we strongly recommend that you keep your accounting software up to date with the latest version (or at least only one version behind the latest). It has the benefit of addressing existing 'bugs' in the software and updating tax rates as appropriate, and also ensures that your information is compatible with our data since we generally run the latest version at any given time. If you're running old software it can become difficult reading data from the older versions and also in many cases we are unable to return amended data files to clients when our software versions are different.



CLIENT NOTE

Looking for a getaway that feels like a million miles from Adelaide? Peter, Yvonne and Michael Cloke have just the location for you to rest, relax and recharge in the Clare Valley! Whether it's a weekend getaway for two, a home away from home for the whole family, unwinding in the spa or hiring a bike and exploring the near-by wineries and restaurants along the Riesling Trail, they have the perfect cottage for you. Nestled in natural bushland in the heart of the beautiful Clare Valley, just an hour and a half north of Adelaide, and minutes walk from the

Clare Township, the off-road location offers you privacy with the benefit of all the home comforts you're used to. Looking for a getaway that feels like a million miles from Adelaide? Peter and Yvonne Cloke have just the location for you to rest, relax and recharge in the Clare Valley! Whether it's a weekend getaway for two, a home away from home for the whole family, unwinding in the spa or hiring a bike and exploring the near-by wineries and restaurants along the Riesling Trail, they have the perfect cottage for you. Nestled in natural bushland in the heart of the

beautiful Clare Valley, just an hour and a half north of Adelaide, and minutes walk from the Clare Township, the off-road location offers you privacy with the benefit of all the home comforts you're used to.

www.rtcvcottages.com.au



LEARN CHINESE IN 5 MINUTES

Whilst not entirely politically correct, with the Beijing Olympics around the corner it can't hurt to have some simple phrases under our belts...

| English | Australian conversion to Chinese |
|---|---|
| That's not right! | Sum Ting Wong |
| Are you harbouring a fugitive? | Hu Yu Hai Ding |
| See me ASAP | Kum Hia Nao |
| Small Horse | Tai Ni Po Ni |
| Did you go to the beach? | Wai Yu So Tan |
| I bumped into a coffee table! | Ai Bang Mai Ni |
| I think you need a face lift! | Chin Tu Fat |
| It's very dark in here! | Wai So Dim |
| I thought you were on a diet! | Wai Yu Mun Ching |
| This is a tow away zone! | No Pah King |
| Our meeting is scheduled for next week! | Wai Yu Kum Nao |
| Staying out of sight | Lei Ying Lo |
| He's cleaning his automobile | Wa Shing Ka |
| Your body odour is offensive | Yu Stin Ki Pu |



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04 Accountants & Business Consultants | **Thinking outside the square**