

solutions news 06.2009

The past year has been a trying time for rural communities, small businesses and investors alike, and a period that is likely to be etched in memories for some time I suspect

After a promising start to last season, a dry finish saw the agricultural sector struggle for a third consecutive year. This had a knock on effect for small businesses in rural communities, which as a consequence also experienced a difficult year.

Other businesses were not exempt as the economic slowdown filtered into the wider community, and banks played hard ball with the small business sector. The government seemed to be reacting like rabbits caught in the spotlight, wondering which way to run. In what I think was an ill-considered attempt to stop the economy sliding into recession, cash splash Mk 1 and Mk 2 were implemented which probably assisted the economies' in China, gambling stocks and apparently - savings. Perhaps the stimulus could have been better directed to the small business sector in the form of payroll tax relief to help maintain employment levels.

In a way it has been a recession unlike others in recent history. I can recall the recession in 1992 when I paid 14% on my home loan, 17.1% on my car loan and 21.8% on my overdraft! Imagine the chaos that we would have today if home loan rates were 14%. It would be an Aussie version of the sub prime crises in the US, a devastated housing market, banks failing and being nationalised and increasing unemployment could have been our scenario.

Fortunately there were changes made then that strengthened the banking system. Treasury acted quickly by dropping interest rates so that by and large only property at the top end of town has been affected. I have attended several investment and economic functions in the last week that seemed to present the view that inflation will stay down to about 2% for the next several years and therefore no significant increases in interest rates. We might have seen the worst of the share market volatility and a

steady return to better economic times can be expected in 2010.

From a farming point of view, all we need is some consistent rains. Their pain is more a climatic issue than economic. This season has seen some reasonable opening rains, let's hope that it continues for the rest of the year.

So what can MBS do to help? Please give us a call if you need assistance with finance matters. We have good working relationships with all the banks and finance brokers so let our experience work for you.

Amongst all the happenings in the outside world, what has MBS been up to this year –

- We have added to the population of the universe with Lisa having a baby boy Callum Jack on the 21st of January. Lisa, Cameron and Callum are all doing well, and Lisa is at present on maternity leave.
- On the 10th May Paula presented us with our first Murray grandchild, Aiden Hunter Murray. Paul is learning a whole new skill set and is making rapid progress on his Modern Dad Certificate Level 1.
- We welcomed Kate Jones – nee Ibbotson from Bordertown – as our very efficient office administrator in July last year, ably assisted by Sally, our likely nominee for the National Coffee Championships this year.
- Brad has successfully completed another year of his CPA studies with only two subjects to go.
- Paul and Paula finished their CPA courses just 9 days before the arrival of Aiden – very finely planned!
- Sadly we said goodbye to Emma, Paula's super girl in training who is continuing her accounting studies in Canada.

- By the time you'll be reading this Mel will also have moved on so that she may continue her studies full time
- Adam continues the hard slog through uni at the same time balancing with his work requirements – well done.
- That leaves Kingsley and myself – well the fossils are hanging in there, getting frustrated with the constant tax changes of the Simplified Taxation System, grappling with technology and telling ourselves that we are having fun!

I can only repeat the closing thoughts I had last year and hope that it happens this year – “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

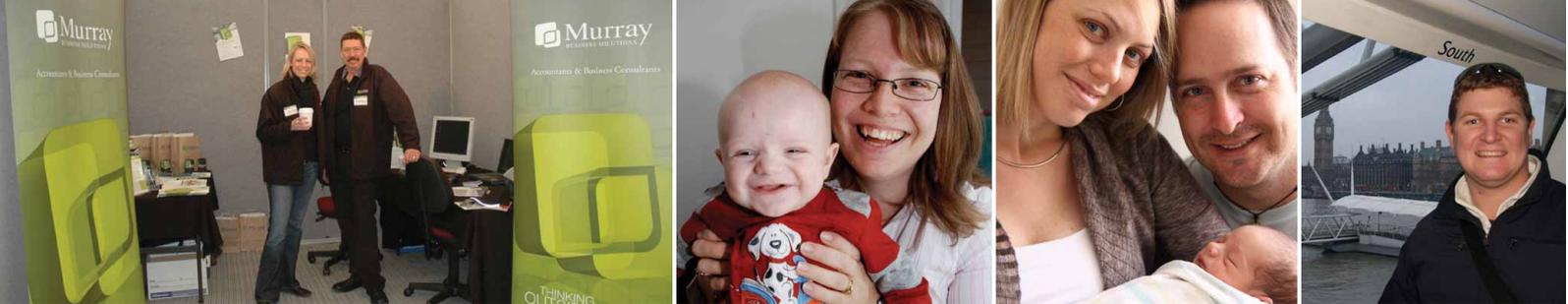
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Paula & Kingsley at the Cleve Field Days

Lisa & Callum

Paul, Paula & Aiden

Brad & Big Ben

BUDGET UPDATE

Revised Small Business And General Business Tax Break

The Investment Allowance that was previously announced has changed form and applies as follows:

- **Small Business Entities** (Turnover less than \$2 million):
 - They will be able to claim a bonus tax deduction of 50 per cent for eligible assets costing over \$1,000
 - They must commit to investing in the asset between 13 December 2008 and 31 December 2009 and start to use or have installed ready for use by 31 December 2010.
- **Other businesses** (Turnover greater than \$2 million):
 - This is unchanged in that they may claim a bonus deduction of 30 or 10 per cent for eligible assets costing greater than \$10,000
 - To claim the 30% bonus deduction, they must commit to investing in between 13 December 2008 and 30 June 2009 and start to use or have installed ready for use by 30 June 2010.
 - To claim the 10% bonus deduction, they must commit to investing in between 1 July 2009 and 31 December 2009 and start to use or have installed ready for use by 31 December 2010.

Other pertinent notes:

- All businesses can aggregate their investment in batches of assets that are substantially identical, and in sets of assets for the purposes of meeting the relevant investment threshold
- The tax break comes in the form of an additional deduction and not a cash rebate

Private Health insurance rebate

The rebate system has been overhauled to include 3 tiers up from the previous 1 threshold. Per the Governments description, the idea is for "High income earners to receive less 'carrot' and more 'stick' to be insured". Higher income earners are still better off being fully insured, as there are now increased costs should they opt-out.

- **Tier 1:** for singles earning more than \$75,001 (couples \$150,001), the Private Health Insurance Rebate will be 20% for those up to 65 years (25% for those over 65, and 30% for those over 70 years). The stick: The Surcharge for avoiding private health insurance will remain at 1%.
- **Tier 2:** for singles earning more than \$90,001 (couples \$180,001), the Private Health Insurance Rebate will be 10%, for those up to 65 years (15% for those over 65, and 20% for those over 70 years). The stick: The Surcharge for avoiding private health insurance will be increased to 1.25%.
- **Tier 3:** for singles earning more than \$120,001 (couples \$240,001), no Private Health Insurance Rebate will be provided. The stick: The Surcharge for avoiding private health insurance will be increased to 1.5%.

INDIVIDUAL TAX RATES

Current tax thresholds (2008/09) Income range (\$)	Rate %	From 1 July 2009 (2009/10) Income range (\$)	Rate %
0 – 6,000	0	0 – 6,000	0
6001 – 34,000	15	6,001 – 35,000	15
34,001 – 80,000	30	35,001 – 80,000	30
80,001 – 180,000	40	80,001 – 180,000	38
180,001+	45	180,001+	45
Current Low Income Tax Offset (2008/09)		From 1 July 2009 (2009/10)	
\$1200		\$1350	

PORT LINCOLN OFFICE

In September 2008 we proudly opened our Port Lincoln office in Harwill Court, which is attended by Kingsley Mason on Monday's. If you wish to meet with Kingsley, please contact our office to make an appointment.

Right Port Lincoln Office
Far Right Staff at Pt Lincoln opening



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 the above and how they impact on your financial situation, please do not hesitate to contact our office.

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



3 Generations of Murray's



Staff Christmas retreat to Pt Lincoln

“HISTORY SHOWS THAT WHILE EVERY ECONOMIC DOWNTURN COMES WITH FINANCIAL PRESSURES AND PAIN, IT ALSO COMES WITH AN ABUNDANCE OF OPPORTUNITIES.”

PAUL MURRAY

SUPERANNUATION UPDATE

It was feared that superannuation would be an easy target for the government to address the mounting deficit in this year's budget, and whilst there were some changes, they were not quite as dramatic as some predicted. Fortunately, the tax free pensions for those aged 60 and over, and the Transition to Retirement pension were not affected by the budget, but perhaps most significantly, the deductible contributions were. The major changes to superannuation were as follows;

- Maximum Deductible Contributions have been halved from \$50,000 per annum to \$25,000 per annum. Importantly this change is effective from 1st July 2009, and therefore applied in the 2009/10 financial year. For those aged 50yrs and over, their deductible contributions have also been halved, from \$100,000 per annum to \$50,000 per annum. These caps are applied on a per person basis.

- The popular Co-Contribution system, whereby the government matches non-deductible contributions made by members to superannuation funds, has been reduced from the current 150% factor in the 2009 financial year, to a 100% factor for the next three income years, rising to 125% on 1 July 2012 and 150% on 1 July 2014.
- As many of you would be aware, the government introduced a 50% reduction on the required minimum pension drawing for those taking an Account Based Pension, or Market Linked Pension for the current financial year. This was designed to assist those who did not wish to draw the full amount required as it may require them to realise fund assets at a capital loss. The government has decided to extend this measure for one more financial year, to also apply in 2009/10.

Action to take

In light of these changes, we recommend that members of superannuation funds make the most of the available deductible contribution caps before 30 June 2009. It will be imperative to ensure that the contributions have cleared into the superannuation bank account by 30 June 2009 to count towards the higher cap. If you fall into the eligible category, you may also wish to take advantage of the co-contribution scheme as it currently exists, with the government contributing up to \$1,500 for a \$1,000 non-deductible contribution.

To check your eligibility please feel free to contact the office.

YEAR END CONSIDERATIONS

Each year there's a multitude of tasks vying for your attention, even more so at the end of financial year. As such, here are a couple of reminders for things you should potentially be addressing:

- Complete a stocktake for all stock / inventory at June 30
- Provide PAYG Payment Summaries to all your staff, and prepare the associated PAYG Annual Summary for lodgement with the ATO (Make sure to take a copy of these to forward to us with your tax gear)
- Update your accounting software to ensure you have the latest tax tables for employee wages along with any software fixes.
- Ensure all superannuation contributions for employees and directors have been paid by June 30, if you wish to receive the deduction in the 2009 financial year
- Lodge your Workcover Reconciliations (remember to include Directors Super and Bonuses into gross remuneration)
- Reconcile all bank and credit card accounts to June 30.
- Review your Accounts Receivable reports and identify any bad debts or incorrect entries
- Review your Accounts Payable reports and ensure that all amounts are correct and still due

LEASING VS HIRE PURCHASE

When purchasing capital equipment you're confronted with the task of selecting how you should finance the purchase. Your options can be to purchase it outright, pay for it via lease or even by hire purchase (Chattel Mortgage). While there is a host of reasons for selection of either methods, the most compelling reason for doing an HP over a Lease is that you get to claim back the GST upon the purchase rather than via each payment over the life of the lease. It also means that you officially take ownership over the asset from the outset of the arrangement rather than at the end of the lease period

SOFTWARE & ACCOUNTING SOLUTIONS

- **Phoenix** – Kingsley Mason is an authorised representative and trainer. Please feel free to contact him regarding processing queries, software updates, software setup or general training
- **Bookkeeping** – We are able to provide a limited bookkeeping solution in house via BankLink or have a myriad of contacts with local bookkeepers in your area who specialise in either Quickbooks or MYOB.

CENTRELINK PENSION

With the fall in investment values of the prior 12 months there's an increasing number of people who are now eligible for a Centrelink Pension where previously their assets owned pushed them over the eligibility threshold. If you've previously been close to the threshold, it may be worthwhile investigating your eligibility.



SOFTWARE UPDATES

Generally speaking it's wise to keep up to date with the latest version of your chosen accounting software to ensure you've the latest 'bug' and security fixes whilst also ensuring you've the latest payroll tax rates. This is even more important given the extensive payroll reforms that the Government is implementing. If you're not confident doing the updates yourself, please contact our office and we can either help lead you through the process or identify a local who may be able to come and help you.

CLIENT NOTE

If you're taking a holiday to Alice Springs or even visiting your accountant in Adelaide, Greg & Val Neck and Robin & Sonia Murray run the local Quest Apartment franchises. In their own words "Quest is the leading provider of serviced apartment accommodation in Australia. We make it our business to be where you want to be. Our serviced apartments are stylish, well appointed and spacious. With separate bedrooms and living areas, fully equipped kitchens and many more amenities, Quest provides flexible accommodation that allows its guests to work or relax in complete comfort."



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USEFUL WEBSITES

Australian Taxation Office

www.ato.gov.au

Australian Stock Exchange

www.asx.com.au

Trading Room

www.tradingroom.com.au

Yahoo Finance

au.finance.yahoo.com

Link Market Services

www.linkmarketservices.com.au

Computer Share

www.computershare.com.au

Australian Business Register

www.abr.gov.au

Centrelink

www.centrelink.gov.au

COMPUTER TERMINOLOGY

Memory was something you lost with age

An application was for employment

A program was a TV show

A cursor used profanity

A keyboard was a piano

A web was a spider's home

A virus was the flu

A CD was a bank account

A hard drive was a long trip on the road

A mouse pad was where a mouse lived

And if you had a 3 inch floppy . .

The original computer

PRINT

DELETE



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The contents contained within this bulletin is purely for information purposes and is not to be taken as advice.

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