

Newsletter Summer 2007

Welcome to the first edition of our quarterly newsletter. We trust you all had an enjoyable festive season and took some well-earned rest.

The year 2006 brought us three interest rate increases, a slump in the NSW property market and record-high fuel prices. With the extravagances of Christmas many of us are tightening our belts, whilst others are actually trying to lose some excess kilos gained over the holidays!

However, 2006 also brought significant tax cuts to higher income earners, dramatic changes to our superannuation rules and more assistance to small business and families.

Read on to find out about these changes and more...



Life & Taxes

New Baby in the Home? - Changes to Family Tax Benefit...

Few would be aware of a recent change to eligibility for Family Tax Benefit. If you take unpaid leave and later return to work (for at least 10 hours a week) you will be entitled to Family Tax Benefit Part B for the period you were on unpaid leave, **regardless of your income levels**. This equates to \$9.24 per day of unpaid leave, or around \$1,600 for six months, effective from **1 July 2005**.

So how do you claim it? Well, ordinarily you would claim it in your tax return (in the new Family Tax Benefit Schedule FQ) or, if you currently receive fortnightly FTB payments, you can claim it through the Family Assistance Office. In either case, you simply advise the child's details, the date you stopped work and the date you returned to work. It's that easy!

25% Entrepreneurs Tax Offset...

There is a new tax offset available in 2006 for taxpayers in business with annual turnover of less than \$75,000. This means a **tax saving of up to 25%** of the tax otherwise payable on their net business income.

To be eligible for the offset, you must enter the STS (Simplified Tax System). Please contact us for further information if you believe you might be eligible.

Small Business Capital Gains Tax Concessions – Recent Changes...

The small business CGT concessions are being amended to increase their availability. Briefly, the changes are (effective from **1 July 2006**):

- ◆ The time constraints for sale of an active asset after cessation of business have been relaxed; and
- ◆ The 50% "controlling individual" test has been replaced with a 20% "significant individual test" and tracing of ownership through interposed entities is now permitted.

Additional changes to be effective from **1 July 2007** are:

- ◆ The net assets threshold will increase from \$5 million to \$6 million; and
- ◆ STS (Simplified Tax System) taxpayers will not have to satisfy the net assets threshold.

Non-residents...

Further recent changes to capital gains tax affect non-residents. *Tax Laws Amendment (2006 Measures No. 4) Bill 2006* received Royal Assent on **12 December 2006** and the changes apply to CGT events occurring on or after that date. The application of Australian CGT for non-residents is now restricted to:

- ◆ Australian real property (whether held directly or through an interposed entity); and
- ◆ Any CGT asset used by a foreign resident in carrying on a business through a permanent establishment in Australia.

Note: ceasing Australian residency can trigger a capital gains tax liability so you cannot avoid Australian CGT by moving overseas!

Please contact us for advice if you expect you might be liable for capital gains tax. We can assist you with planning to help you minimise the tax payable.

2006 - 07 Tax Rates for Resident Individuals...

Taxable Income	Tax on this income
\$0-\$6,000	Nil
\$6,001-\$25,000	15c for each \$1 over \$6,000
\$25,001-\$75,000	\$2,850 plus 30c for each \$1 over \$25,000
\$75,001-\$150,000	\$17,850 plus 40c for each \$1 over \$75,000
Over \$150,000	\$47,850 plus 45c for each \$1 over \$150,000
(The above rates do not include the Medicare levy of 1.5%)	



Corporate Governance

Corporate Governance – What is it...?

Corporate Governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimised.

Corporate governance is not just about regulation and legislation; it is about doing what is right for the stakeholders. It is broader than boards and committees; it extends throughout the company. It requires transparency of disclosure, effective communication and accountability.

The ASX Corporate Governance Council articulates ten Core Principles that underlie good corporate governance:

1. Establish the roles of Management and the Board



The Super Revolution...

The 2006/07 Federal Budget included a number of proposals to simplify and streamline superannuation rules in Australia. Some of the most important of these include:

- ◆ Changes to contribution limits
- ◆ Tax free benefits for over 60's
- ◆ Reasonable Benefit Limits (RBLs) are to be abolished
- ◆ No compulsory cashing of superannuation

Taxable Contributions...

New limits are proposed to replace the existing age-based limits from 1 July 2007:

- ◆ \$50,000 p.a. for most people
- ◆ \$100,000 p.a. for those over the age of 50 (only until 30 June 2012)

Tax deductible contributions will also be allowed up to the age of 75. It is important to note that these new limits will be a "per person" limit rather than on a "per contributor" basis. Any taxable contributions received in excess of these limits will be taxed at 46.5% rather than 15%.

Undeducted Contributions...

Since the Federal Budget announcement on 10 May 2006, limits have been placed on the level of undeducted contributions allowable:

2. Ensure the Board has a balance of skills, experience and independence
3. Promote ethical and responsible decision-making
4. Safeguard the integrity of company reporting
5. Provide timely and balanced disclosure of all material matters
6. Respect the rights of shareholders
7. Establish a sound system to recognise and manage risk
8. Encourage enhanced board and management effectiveness
9. Remunerate fairly and responsibly
10. Recognise the legitimate interests of all stakeholders

The board is instrumental in implementing and developing good corporate governance and ensuring that it is instilled into the company's culture.

Superannuation

- ◆ Between 10 May 2006 and 30 June 2007 individuals may contribute up to \$1 million.
- ◆ From 1 July 2007 the limit will be \$150,000 p.a.
- ◆ Individuals under 65 will be able to bring forward 2 years of contributions and make a larger contribution of \$450,000.

Benefit Payments & Retirement...

Under the new rules, benefit payments made to those aged 60 and over will be completely tax free from **1 July 2007**, whether benefits are taken in the form of a lump sum or a pension.

Reasonable Benefit Limits (RBLs) are to be abolished meaning that you would be able to accumulate a larger concessional tax benefit in superannuation without worrying about paying penalty tax on exit.

Retirees need no longer draw their super should they cease work after age 65 and need no longer exit their superannuation fund at age 75. You will be able to remain in a fund for life, drawing either a lump sum or pension when required.

Need more information...?

Please contact Michael Ferlauto for an appointment to see how the new rules can benefit you.



FBT, Remuneration Packaging & Payroll Matters

Fringe Benefits Tax...

Did you know...?

From 1 April 2006 (2007 FBT year)

- ◆ A **NEW** FBT rate applies from 1 April 2006. The FBT rate has been reduced from 48.5% to **46.5%**
- ◆ The **NEW** gross-up rates for Type 1 and Type 2 benefits are:
Type 1 - 2.0647 (benefits with GST included)
Type 2 - 1.8692 (benefits without GST included)
- ◆ Although the FBT rate has been reduced from 48.5% to 46.5% the FBT rebate for certain non profit employers remains at 48%.

From 1 April 2007 (2008 FBT year)

- ◆ The reportable benefits threshold has **DOUBLED**. From 1 April 2007 you only need to report the grossed-up taxable value of fringe benefits provided to an employee if the taxable value (i.e. the pre gross-up amount) is more than **\$2,000**.
- ◆ The in-house benefits exemption will **DOUBLE** when it increases from \$500 to **\$1,000** on 1 April 2007.
- ◆ The minor benefits exemption will **TRIPLE** from 1 April 2007 when it increases from \$100 to **\$300**.

Remuneration packaging...

Remuneration packaging involves structuring a salary package for you or your employees in the most tax effective manner.

Recent changes in marginal income tax and FBT rates mean that now is the time to review remuneration packaging arrangements.

The new tax rates have expanded opportunities for packaging motor vehicles and other benefits.

There are also new packaging opportunities with superannuation. Those who are eligible can package into superannuation and pay a **flat rate of tax of only 15%**.

We can assist you to look at remuneration packaging from either an employer or an employee perspective.

Payroll...

Recent changes...

- ◆ From **1 July 2007** employer-provided Eligible Termination Payments (ETPs) must be taken in cash (i.e. they will no longer be able to be rolled into a superannuation fund).

- ◆ New South Wales Workers Compensation Changes - The NSW State Government has announced that **from 31 December 2006 apprentice wages will be exempt from workers compensation** levy calculations for policies renewed or commencing from that date onwards.

- ◆ **New Pay Scales** – The Department of Employment and Workplace Relations has commenced publishing pay scale summaries for some of the more common awards. There are also fact sheets on what to do if an employee may be covered by more than one pay scale. Details can be accessed at the following site:
<https://www.workchoices.gov.au/ourplan/payconditions/PayScaleSummariesA-C.htm>

- ◆ Regulations have now been drafted to reflect the Federal Government's announcement late last year on changes to the required record keeping for employees. These new rules commence on 27 March 2007 and significantly reduce what employers must record and report to employees. The new rules cover:

- ◆ general employee records;
- ◆ pay records;
- ◆ leave records;
- ◆ superannuation;
- ◆ terminations; and
- ◆ pay slips.

The main changes are:

- ◆ job classifications are no longer required on pay slips,
- ◆ superannuation can be shown on a pay slip provided it has been set aside (i.e. it need not have been paid) , and
- ◆ daily start and finish times are only required on pay slips for casual employees, part time employees who work irregular hours or, if an employee is being paid for overtime, only for the period in relation to that overtime.

We have a table which summarises the changes. Please contact Melissa Simmons if you would like a copy.

Employers can adopt the above changes immediately. This is good news for employers.



Our Staff

Staff Changes...

We extend a warm welcome to the following new staff:

- Natalia Stefanovic – undergraduate accountant
- Martin Ooi – senior auditor
- Adam Whitlock – undergraduate accountant

We also say farewell to Heath Baker, who has worked with us for 11 years. Heath is moving from audit into a position in commerce and we wish him well.



The Tail End

History Of Our Calendar...

Did you ever wonder why the months of September, October, November and December are not the seventh through to the tenth months of the calendar year as their Latin names suggest?

Well, they once were. The ancient Roman calendar started with March and ended with what has now become January and February. The calendar had many shortcomings and the seasons gradually drifted out of sync with the months.

Julius Caesar brought about significant reform to the Roman calendar in 45 B.C. He introduced the *Julian* calendar, making January the first month of the year and introducing the leap-year system.

The months of Quintilis and Sextilis (originally the fifth and sixth months) were later renamed July and August (in honour of Julius and Augustus Caesar).

In 1582, Pope Gregory XIII noted that the Julian calendar year differed from the solar year by 11.5 minutes and the difference had been building up over the centuries.

So he made a slight revision to the Julian calendar's leap-year system by omitting a leap year every century year not divisible by 400. The result is today's *Gregorian* calendar (the year 1900 was not a leap year but the year 2000 was).

The Julian calendar is still used by many Orthodox churches today and lags 13 days behind the Gregorian calendar. Consequently, Orthodox Christmas Day is celebrated on January 7.

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Please contact us if you would like our Newsletter emailed in the future or if you would like extra copies.

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