

Newsletter Winter 2008

It's the season to be freezing, tra-la-la-la-la-la-la-la. (Happy Christmas in July.) We hope to present you with a newsletter that is a little warmer and brighter than our weather has been!

In this issue...

- ◆ Year-End Tax Tips
- ◆ Borrowing in a Super Fund
- ◆ Financing your Cash Flow
- ◆ Email Etiquette
- ◆ ...And more!



Preparing for June 30

Year End Tax Planning Tips

In the lead-up to end of financial year, many of our clients ask "What should I be doing before 30 June in order to save tax?" The answer must always be tailored to the client's individual circumstances but here are some things you might want to consider:

Make superannuation contributions

- ◆ Salary-sacrifice some extra pay or a bonus into super.
- ◆ If you earn less than \$28,980 you might want to make a personal contribution of \$1,000 to qualify for the government co-contribution. (You may qualify for a reduced co-contribution if you earn up to \$58,980.)
- ◆ Pay employee superannuation contributions prior to 30 June to get a tax deduction in the current year.

Defer Income

- ◆ Consider deferring the sale of capital assets until July (the contract date is the relevant date for capital gains tax).
- ◆ If you are resigning and having accrued leave entitlements paid out, consider deferring your resignation date until July.
- ◆ Small Business Entities* might wish to defer the collection of receivables until July.

Accelerate deductions

Individual taxpayers

- ◆ Pay subscriptions, charitable donations and tax agent fees prior to 30 June to claim these as tax deductions.
- ◆ Prepay interest and insurance (non-business) for up to 12 months.
- ◆ Purchase non-business assets (e.g. for rental property or for work use) costing less than **\$300** for immediate write-off.

Small Business Entities*

- ◆ Prepay business expenses for up to 12 months.
- ◆ Purchase furniture/equipment costing less than **\$1,000** for immediate write-off.

Other Business Matters to Review

- ◆ Dispose of obsolete trading stock
- ◆ Write off bad debts
- ◆ Review asset registers for any old/obsolete items
- ◆ Pay or declare employee bonuses

Some Further Tips/Reminders

- ◆ Consider crystallising capital losses for offset against current year capital gains.
- ◆ Make political party donations/contributions up to **\$1,500** per person (these will not be deductible after 30 June 08).
- ◆ Lodge new PAYG withholding variations for the 2008/09 financial year (you might like to remind your employees).
- ◆ Rectify shareholder loans caught by Division 7A (ATO amnesty ends on 30 June - refer to our Spring 2007 newsletter for further details).
- ◆ Crystallise pre-July 1983 components in superannuation funds.

**Small Business Entities are those carrying on a business with aggregated turnover less than \$2m.*

2008 - 09 Tax Rates for Resident Individuals...

Taxable Income	Tax on this income
\$0-\$6,000	Nil
\$6,001-\$34,000	15c for each \$1 over \$6,000
\$34,001-\$80,000	\$4,200 plus 30c for each \$1 over \$34,000
\$80,001-\$180,000	\$18,000 plus 40c for each \$1 over \$80,000
Over \$180,000	\$58,000 plus 45c for each \$1 over \$180,000

(The above rates **do not** include the Medicare levy of 1.5%)

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Borrowing in a Super Fund

Until recently, superannuation funds were prohibited from borrowing, except in very limited circumstances.

New rules introduced last year now allow superannuation funds to effectively borrow to acquire assets, as long as they strictly satisfy the new rules. It is also necessary that the fund's trust deed permit such an investment, that the investment is in accordance with the fund's investment strategy and that it meets the *sole purpose test* (i.e. the sole purpose of the investment is to provide retirement benefits for the fund members).

What are the new rules?

- ◆ The fund would be able to invest in the asset directly
- ◆ The asset is held in trust
- ◆ The loan is of a limited recourse nature

What does *limited recourse* mean?

This means that, in event of a default in repayments, the lending institution has access only to the value of the asset itself; the assets of the fund are protected.

What are the pitfalls and limitations?

- ◆ There are restrictions on the types of assets a member can transfer to a fund. Capital gains tax and stamp duty could also apply.
- ◆ A fund cannot borrow against an existing asset; the arrangement can only apply to new investments.
- ◆ The trustees must ensure that the super fund has adequate cash flow to meet repayments.
- ◆ Borrowing to invest can increase returns but can also magnify losses.
- ◆ There are costs associated with setting up the required structure and amending the fund's trust deed.
- ◆ The banks generally charge an interest premium of around 1% to 2% and borrowing is usually limited to 60% to 75% of the asset's value. Member guarantees might also be required.

The new rules provide a good opportunity in the right circumstances. For more information, please contact Michael Ferlauto.



Invoice Discounting - an Alternative Finance Method

Debtor finance is a hot topic at the moment. We spoke to Sam McCarthy at St George Bank to learn more about Invoice Discounting.

Sam, what is Invoice Discounting?

Invoice Discounting is a form of business finance that lets you access the money tied up in your outstanding sales invoices without the need for 'bricks and mortar' security. It gives you the power to control your working capital so you no longer have to ride the peaks and troughs of irregular cash flow.

It's an outstanding way to fund business growth, develop new products or services, make business acquisitions, complete business succession plans or purchase capital equipment.

Isn't Invoice Discounting another term for Factoring?

Unlike Factoring, Invoice Discounting is a confidential arrangement between the bank and you, whereby you legally assign business receivables to the bank. Under the Invoice Discounting facility the bank can provide funding of up to **85%** of the approved receivables value.

Although a Factoring Company will provide a similar level of funding, they will notify the relevant debtors (i.e.

your customers) that debts have been assigned to them and will collect the debts on your behalf. As Invoice Discounting is confidential, you maintain responsibility for the entire debtor administration process.

Is Invoice Discounting Expensive?

The cost of Invoice Discounting is comparable with a bank overdraft facility. Under an Invoice Discounting facility the ongoing costs typically consist of:

- 1) a Service Fee (charged as a percentage of invoices or a flat monthly fee) and
- 2) a Discount Fee (calculated on the daily balance charged monthly in arrears). Establishment fees and government charges may also apply.

How much effort is required to operate an Invoice Discounting facility?

You can operate an Invoice Discounting facility via the Internet. The facility is structured to cause minimal impact on daily and monthly workload; however, due to the nature of the facility, information (Invoice & Financial) is required by the bank on a regular basis, at least monthly.

For further information on cashflow finance please contact Sam McCarthy at St George Bank on 0434 605 451



FBT, Remuneration Packaging and Payroll - Budget Update

Work-Related Items (Laptops, etc.)

The FBT exemption on eligible work-related items (laptops, computer software, electronic diaries, PDAs, portable printers, calculators, mobile phones, briefcases, tools of trade and protective clothing) will only apply where these items are used **primarily for work purposes and will be limited to one item of each type per employee, per FBT year unless it's a replacement item.**

The list of FBT-exempt work-related items will also be extended to all work-related portable electronic devices, including those with multiple functions. The changes apply to items purchased after 7.30 pm on **13 May 2008**.

The income tax law will be amended to disallow employees from claiming depreciation for the work-related percentage of FBT-exempt items. This will ensure taxpayers do not obtain a double tax benefit. For items purchased before 7.30 pm on 13 May 2008, employees will be denied depreciation for the **2008-09** and later income years.

Jointly held assets

The FBT law will be amended to ensure it applies appropriately where an employer provides an employee and their associate with a fringe benefit in relation to a jointly held investment asset (for example, a low interest

loan or reimbursement of expenses related to a rental property or shares).

The amendment will ensure that the "otherwise deductible rule" will not apply to reduce the taxable value of the associate's share of the expenses. The measure will take effect from 7.30 pm on **13 May 2008** with respect to new arrangements. Employees who have already entered into salary sacrifice agreements with their employer involving a reimbursement of expenses related to the investment will be able to utilise current arrangements until **31 March 2009** (ie the end of the FBT year). This will provide time for employers and employees to renegotiate salary packages to avoid incurring an FBT liability.

Meal cards

The FBT exemption for private use of business property will be tightened by **excluding meals provided as part of a salary sacrifice arrangement**. This measure will not affect subsidised canteens that are provided to all staff and that are not part of a salary sacrifice arrangement.

The changes will take effect from 7.30 pm on **13 May 2008**. Existing balances on meal cards as at that time will remain eligible for the FBT exemption provided they are used by **31 March 2009**.

Superannuation Changes from 1 July 2008

The Notional Earnings Base for employee superannuation support will be expanded from 1 July 2008 to Ordinary Times Earnings which includes over-award payments, bonuses, commissions, shift allowances and paid leave. This will mean an increase in the amount of super that some employees will be entitled to, and employers are not permitted to absorb the increases by reducing the employee's base wage.

End-of Year Payroll

A reminder that PAYG Payment Summaries must be issued to employees by **14 July**. (Don't forget to include Reportable Fringe Benefits!) **It's essential that payroll records are reconciled before payment summaries are prepared.**

Your PAYG Payment Summary annual report is due for lodgement with the Tax Office by **14 August**.

Changes to Audit Standards and Processes

As auditors registered by ASIC and as members of the Institute of Chartered Accountants in Australia we are bound by Audit Standards issued by the Australian Accounting Standards review Board.

Over the last 12-18 months there have been significant changes to these standards. The standards have been amended from being *recommended* methods to *force of law* standards requiring compulsory application to **all** audits.

Additional standards have been introduced to increase audit planning requirements and the documentation of the planning process. These standards are heavily focused on identifying and assessing the risks of the audit. The standards are also being aligned to International Auditing Standards.

So what does this mean for your audit?

In short, the time taken to complete the audit will increase, additional documentation may be required as audit evidence to support assumptions and assertions of the audit process. We may initiate meetings with you prior to the commencement of fieldwork to assist in the completion of the planning process and documentation.



Our Staff

- ◆ A warm welcome to Lisa Walker, Bashar Hussein, Kathryn Mills and Warwick Downs.
- ◆ Farewell to Brian Wheeler, who has resigned to take an extended work break and travel overseas.
- ◆ Congratulations to Daniel Brooks upon graduating from the University of Western Sydney.



Email Etiquette (or 'Netiquette')

There's no denying that email has revolutionised our modern-day communication. It's a wonderful, powerful tool that makes it easy to conduct business and keep in touch with people. But this new technology makes it sometimes too easy to communicate, and we bombard people with information they don't need. Or we use it to avoid face-to-face confrontation, often with counter-productive results. Here are some tips on effective, professional use of email, many of these learned the hard way!

Keep it Polite

- ◆ Don't underestimate the value of niceties such as 'please', 'thank you', 'I hope you are well' or 'have a nice day'.
- ◆ Email is not the place for negative emotion or sarcasm. Stick to the facts and, if you are upset or angry, allow at least an hour to calm down, or preferably overnight.
- ◆ If there is a dispute, or you are imparting news that is unlikely to be received well, it's better to pick up the phone or, even better, talk to the person face to face.
- ◆ Make a point of responding to emails (where a response is requested) within 24 hours. If you're going on holiday, post an out-of-office auto-reply.

Keep it Professional

- ◆ Email is not an excuse for poor spelling and grammar. It's also inappropriate to type the entire email in upper or lower case.
- ◆ Professional email is not the place for cutiesies like 'LOL' and 'C U later' or emoticons such as :-). Save these for your friends and family.
- ◆ Email does not have to be informal. You can still say "Dear Sir" or "Dear Mrs..." if a first name is not appropriate. Sign it "regards" and include your full name, even if you think it's obvious who the sender is.

Keep it Transparent

- ◆ All work-based emails are the property of your employer. A record exists even if you delete the email. A good rule of thumb is to not send or receive content that you would not be prepared for your employer to see.
- ◆ Keep personal emails to a minimum and don't distribute jokes all the time. It will quickly become obvious that you're not getting any work done.
- ◆ BCC (blind carbon copy) is best used only for the purpose of protecting someone's identity. If you CC someone on an email, the recipient should be made aware.

Keep it Relevant

- ◆ Use the subject line and make it relevant to the content.
- ◆ Keep emails succinct and make use of bold or highlighted text to get the important points across.
- ◆ Don't forward everything to everyone. Take a little trouble to tailor your email to the right audience. We get so much email these days that it's hard to sift out the really important stuff.
- ◆ Don't mark everything as 'high priority' or 'Urgent'. What happens when you have something that really is urgent?
- ◆ Don't use read receipts on every email - it's really annoying. A nice alternative is a request for reply.

Before you click 'SEND'

- ◆ ALWAYS check the 'to' address.
- ◆ If it's sensitive content, ask yourself whether another form of communication might be more secure/appropriate.
- ◆ Read the email through from the point of view of the intended recipient.
- ◆ Consider whether the content should be reviewed by a peer or superior before sending. Email is no less legally binding than a signed letter.

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