

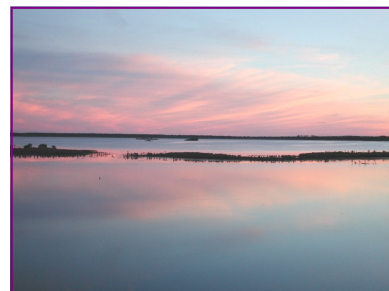
BENEATH THE SURFACE

TOP 10 BOOKKEEPING MISTAKES

A small business software provider has released its list of Top 10 Mistakes in DIY Bookkeeping for Australian small businesses.

They are:

1. using computer software too complex for the business's in-house accounting staff to manage
2. failing to claim valid tax deductions
3. claiming GST deductions without valid tax invoices
4. claiming GST for the full amount of purchases partially used for private purposes
5. claiming GST credits where a supplier is not registered for GST
6. not invoicing quickly and letting debtors fall through the cracks
7. paying incorrect employee super contributions
8. missing deadlines for PAYG or BAS or superannuation payments
9. failing to check records with the bank to ensure accuracy
10. failing to keep back-up records.



We now offer a premium bookkeeping service (either at your premises or ours) and are happy to assist you in any, or all, of the above areas – please call today to discuss your specific needs.

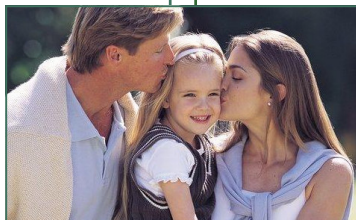
WHY MAKE A WILL?

A will serves as an accurate statement of your wishes and enables you to determine what happens to your assets on your death, rather than having intestacy laws of the relevant state or territory, determine what will happen.

How many of us have said, I must update my will, or even more critical, I must make a will, and still have not taken any action on it? Another year is about to end, so how about a New Year resolution of revisiting and if desired, updating your will/s? Call your solicitor/lawyer today to make an appointment!

What is a testamentary trust and why does everyone want one?

A testamentary trust is simply a trust created by a person's "last will and testament". Assets forming part of the deceased's estate are transferred into the trust and administered by a trustee appointed under the Will. They can offer asset protection and tax advantages, as well as



protecting the inheritance of the beneficiary/s, usually (not always) young or adult children.

Look around and seek several opinions before making a final decision. A will may be, but does not have to be, a complicated and costly document.

So, superannuation and family trust assets automatically form part of my estate – right?

Wrong. A superannuation fund and a family trust are like separate persons who keep on living after you die. However, it is generally possible for you to control how assets held by these trusts are dealt with following your death. It will be necessary though for you to first check the terms of the superannuation or family trust deed to ascertain exactly what rights you have to deal with the assets.

Take Lilly for example, she made a superannuation declaration nominating her

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FRINGE BENEFITS TAX AND TRAVEL INSURANCE

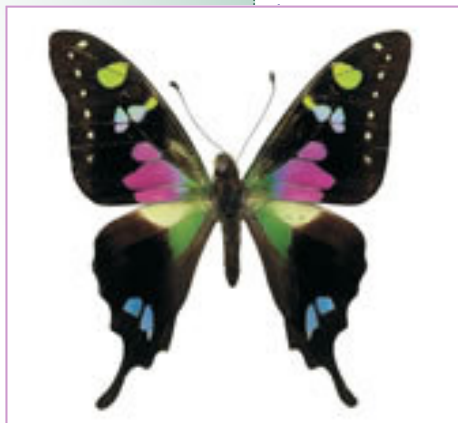
The tax office has advised that the cost of a travel insurance policy taken out by an employee in the employee's name when travelling on business is expenditure that is private in nature because the policy invariably covers items that are generally private in nature, eg illness, loss of baggage, and theft or damage to belongings. Therefore, where an employer reimburses an employee for the cost incurred in obtaining travel insurance, the employer could not rely on the "otherwise deductible rule" to reduce the taxable value of the expense payment fringe benefit.



WHAT THREE CHANGES TO AUSTRALIA'S TAX SYSTEM WOULD YOU LIKE TO SEE IMPLEMENTED - IN ADDITION TO THOSE IN THIS YEAR'S FEDERAL BUDGET?

The National Institute of Accountants (NIA) posed this question to: NIA's Technical Policy Manager, Taxpayers Australia Inc, the Australian Chamber of Commerce (ACCI), Faculty of Law at University of New South Wales, and the Australian Council of Social Service (ACOSS). Some of their common responses are:

- ⇒ indexation of individual tax thresholds to take account of inflation
- ⇒ lowering of the top marginal tax rate (45%) towards the company tax rate (30%) by eliminating a series of tax concessions
- ⇒ consistency of definitions across various Acts, eg that "small business" has the same meaning for income tax, GST, FBT, etc.
- ⇒ removal of welfare measures from the Income Tax Act, eg family tax benefit be administered outside the tax system
- ⇒ make our capital gains tax (CGT) rate lower and thus more competitive with other countries – further that the CGT rate reduces the longer an asset is held
- ⇒ ACCI's pre-election survey in 2004 found that tax complexity was the second highest complaint of business, with frequency of changes number five
- ⇒ simplifying the taxing of fringe benefits by



taxing them at the employee's marginal tax rate

- ⇒ reducing taxation on interest income as it now stands out as heavily taxed, particularly relative to income derived from superannuation or from investments in property.

What are your thoughts? Either speak to your local federal member today, or let us know. Why? As accountants and tax agents, we are sometimes asked by politicians to give feedback to them as a voice of individual and small business taxpayers.

ABOLITION OF MORE STAMP DUTY CHARGES

Stamp duties that are due to be abolished on 1 January 2007 are:

- ◇ stamp duty on the transfer of shares that are not listed on the Australian Stock Exchange
- ◇ lease duty on land in Queensland
- ◇ credit business duty payable on certain loans and credit arrangements with businesses, and hire duty payable on the hire of goods.

Mortgage duty will be halved on 1 January 2008 and abolished on 1 January 2009. Stamp duty on the transfer of core business assets will also be phased out over two years, starting 1 January 2010. So from 1 January 2011, there will be no stamp duty on the transfer of core business assets. Even though it is some way out, this will be important for Queensland businesses of all sizes, and their advisors.

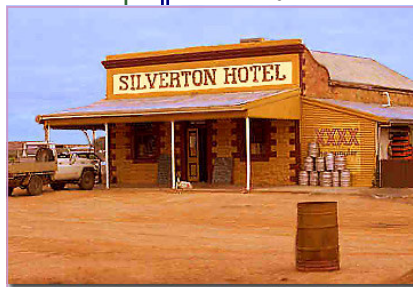
Source: Cooper Grace Ward, Lawyers, Advisors Partner Newsletter, Issue 03/September 2006

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husband as her beneficiary. Ten years later when Lilly passed on, she was separated from her husband and in her will left her assets equally to her children with no mention of her estranged husband. The trustee of the superannuation fund (with the powers of discretion) was prepared to act on Lilly's original instructions as all the children were financially independent adults. It was only through the good grace of her husband relinquishing his rights that her superannuation assets were included in her estate assets for distribution to her children. What death benefit nominations have you made? Are they up-to-date? If not, or if you cannot remember, call the trustee or your financial adviser today!

We are very willing to work in conjunction with your financial and legal advisers.

Wills, testamentary trusts, and super and family trust assets adapted from: Estate planning in the new millennium, Maddocks Lawyers, Taxation in Australia, Volume 41/3 September 2006



HOME OFFICE - BUSINESS

The tax office has released a guide specifically for people who choose to carry on a business at or from their home. The guide uses examples of four businesses to show the different ways people can operate a home-based business, and the various tax implications.

Visit: www.ato.gov.au/content/downloads/n10709.pdf or phone us today for details.

CHRISTMAS CLOSURE

Please note that our office will be closed for the holidays as follows:

Friday 22 December 2006 to Sunday 7 January 2007 inclusive.



CHANGES FOR CASHING OF SUPERANNUATION BENEFITS

From 10 May 2006 to 30 June 2007, trustees of super funds no longer have to compulsorily cash a member's benefits where:

- ⇒ the member is aged between 65 and 74 and does not meet the current work test, or
- ⇒ the member is aged 75 or over.

This measure (subject to the rules of the fund) allows members to delay cashing their benefits until the government's reform to the superannuation system is legislated. *Note that this change does not alter the requirement to cash a member's benefits upon their death.*

PUB WITH NO ... INPUT TAX CREDITS

A taxpayer has been denied their claim for input tax credits on the acquisition cost of land when, under two contracts, it purchased the hotel business and the land on which it stood. The Administrative Appeals Tribunal (AAT) held that the GST-free going concern exemption applied to both the business and the land because the land was necessary to the continued operation of the hotel business. *Ideally a good idea to have the vendor and purchaser agree (in the contract) on GST issues prior to signing the contract. Equally good idea to get both legal and tax advice prior to initial discussions about sale.*



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Please Note: Many of the comments in this publication are general in nature. Anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.