

## BENEATH THE SURFACE

### Fringe Benefits

Having just completed fringe benefits tax returns for various clients, it's timely to remind others that if you provide any non-salary benefits to employees, you may have a fringe benefits tax liability.

Examples include, but are not limited to: restaurant meals, tank of fuel, payment of private electricity and telephone accounts, private use of business vehicle, Christmas presents and parties, etc.

Remember, this includes benefits provided to owners who are employees of their own company or trust.

If you are unsure of your obligations as an employer, please phone the Tax Office on 132 866, or contact our office to arrange an appointment.

### MONEY SEMINAR

A colleague, Yvonne Chalice, and I recently presented a seminar on money matters to a group of students undertaking the Master of Counselling at Carseldine QUT campus. It was a 70-minute mix of structured sessions and group discussions on various questions around money. The seminar did not sell any product, but rather guided us to explore our own ideas, phobias and relationship to money. We received positive feedback from participants, eg *"stimulated really interesting discussions and much food for thought"*, *"very insightful"*, *"made me aware of some of my own changing practices, and some of the erroneous assumptions behind them"*, *"I really enjoyed receiving information from the real world about money issues."*

Please phone us to register your interest if you would like to attend a similar seminar.

### Changes to Annual Company Reporting

The Australian Securities and Investment Commission (ASIC) is to abolish the January 31st annual return deadline and introduce a new scheme which requires companies to pay their annual fees within two months of the anniversary of the registration date. Unfortunately this change, from one uniform annual date, will make tracking of the deadline more difficult and ASIC will not remind us of deadlines once the initial notice has been sent.

We will implement a reminder system to keep you informed of your obligations.

### BUDGET TAX CUTS PROPOSED FROM 1 JULY 2003

#### (a) Increase in personal income tax thresholds

Current thresholds (\$)	New thresholds (\$)	Tax rate (%)
0 - \$ 6,000	0 - 6,000	0
6,001 - \$20,000	6,001 - <b>21,600</b>	17
20,001 - \$50,000	21,601 - <b>52,000</b>	30
50,001 - \$60,000	52,001 - <b>62,500</b>	42
over \$60,000	over <b>\$62,500</b>	47

Medicare Levy: 1.5%. A medicare levy surcharge of 1% may apply to taxpayers who do not have private hospital cover.

#### (b) Increase in low income rebate

The low income rebate has been increased to \$235 (up from \$150). This means that for taxpayers earning below \$21,601, their tax-free threshold will now be \$7,382 (up from \$6,882).

#### (c) Increase in Medicare threshold for senior Australians

The increase in the low income rebate means that taxpayers eligible for the Senior Australians Tax offset will not pay tax on income up to \$20,500 for singles (up from \$20,000) and \$33,612 for couples (up from \$32,612), depending on the income earned by each member of the couple.

The Medicare levy threshold will be increased to ensure that no Medicare levy is paid until they begin to pay tax.

**NB:** At the time of writing, these proposed changes were not law.

### Newsletter

Most market survey respondents prefer a hardcopy newsletter. As our survey results were mostly anonymous, if you are one of the few who requested it by email, please send us an email with the subject: Newsletter. For the hardcopy enthusiasts, we offer no pressure at all to change, and are delighted to continue with this service for you.

## GST AND ADJUSTMENTS

If for any reason you issue a refund/discount to a client or receive a refund/discount for something you have bought for your business, then remember to also adjust your GST liability, and/or refunds.

*For example:* Mary sold a product for \$22 and sent \$2 GST off to the Tax Office. Due to a product recall, the patient returned the product to Mary and she refunded \$22 cash, so Mary can now reduce her GST liability (ie the amount at 1A) by \$2.

However, if the manufacturer later refunds the \$22 to Mary, she will also have to reduce her original GST refund (ie the amount at 1B) by \$2.

If you usually issue invoices to clients, ensure that you also issue adjustment notes when details on the original invoice later change. Request adjustment notes from suppliers for any adjustments to items purchased for your business.

## NEW SUPERANNUATION REPORTING REQUIREMENTS

From 1 July 2003, employers must report to their employees details of the compulsory superannuation contributions made on their behalf. The report must be written and include the amount and destination of the contributions, as well as the employee's fund membership number. It must be provided to the employees within 30 days of the contribution being made or penalties may apply. If using payroll software, you may need to check with your software provider about compliance with these new rules.

This change comes into effect along with the introduction of quarterly contributions. New due dates are:

Superannuation Quarter	Contribution payment dates
1 July - 30 September	28 October
1 October - 31 December	28 January
1 January - 31 March	28 April
1 April - 30 June	28 July

## POSITIVE CASH FLOW STORY

Daniel (not his real name) made two simple (but not easy) changes to his bookkeeping practices. He kept better, more detailed, records of his income and expenses, and started saving 20% of every dollar earned. At year-end he had \$22,000 in the bank, which was ample to cover his income tax liability. He used a further \$4,000 to buy materials for his next client job, and had \$7,300 spare as a bonus to do whatever he wished. Initially he intended going overseas for a conference, but opted to work less often in his current trade, and instead to put more energy into building up his natural health practice. A lifestyle choice.

If you are struggling with cash flow management and would like assistance please call our office to make an appointment.

## MARKET RESEARCH SURVEY

Thank you to all those who responded to our survey — we had approximately a 30% response rate with mostly grateful comments, eg, *personal, friendly, able to listen/hear, I feel I could ask any question without feeling silly, thorough, professional and up-to-date, willing to learn and understand our business*, etc. Other disclosure by some clients allowed an open and frank discussion between us. Overall a very healthy and helpful exercise. Thank you for your participation and support.

## Insomnia

In the May 2003 Readers' Digest, I read about some of the side effects of long-term insomnia. They include high risk of obesity, heart attack, diabetes and accelerated ageing. Quite sobering...

Many business owners (myself included) have danced with insomnia. Have you found any solutions that work for you to induce deep and restful sleep? If so, would you like to share them with us, and we will publish your feedback in the next newsletter.

## TOP GST ERRORS

The Tax Office (ATO) has now moved from an educational stance (for existing businesses) to one of compliance. Some of the most common errors encountered by us, and by the ATO during their GST audits, are:

- GST not sent to the ATO for sale of business assets such as cars, office furniture, etc (particularly trade-ins)
- Incorrect GST calculation of property under the margin scheme
- claiming GST input tax credits/refunds when tax invoices are incorrect, incomplete or non-existent
- Classifying sales as GST-free, eg recovery of expenses from clients
- Classifying expenses as GST in error, eg bank fees, tea, coffee, milk, donations, \$10 airline ticket levy, stamp duty component of insurance premium, car registration, business name renewal, purchases from people *not* GST-registered
- Claiming GST refunds on non-cash (accrual) basis when accounting for GST on cash basis, particularly hire purchase arrangements, and yellow/white pages payments
- Not apportioning private use of assets when claiming GST refunds, eg telephone, car, home computer
- Putting wages, superannuation and tax payments at G11

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Our office will be closed for recreation leave from Thursday, 29 May—Monday, 9 June inclusive, and from Monday, 30 June—Friday, 4 July 2003 inclusive.

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.