



Client Information Bulletin

In our business, we come across a range of different businesses and ways of doing business. Some we learn from and take ideas that we recommend to our clients. Occasionally, we come across some things that are lessons in "what not to do". We recently came across some examples of both and we share them with you here to demonstrate the bad bits and also the opportunities in business:

Life Insurance—the Bad Bits....

One issue we are starting to find more often is that people can be either un-insured or under-insured from a life insurance perspective. We know of one young (36 years old) business owner who recently passed away leaving a wife and young children (he was not one of our clients). He had NO life insurance and his family is left with a mortgage they are unable to pay and no way of generating the income that he was earning whilst alive. It's not a great issue to talk about, but it is imperative that everyone considers the implications of an untimely passing. If you would like us to refer you to a specialist adviser in this area, please contact us.

Phones—Real Opportunity

One of our clients is a telephone provider (who is not a reseller for Telstra or Optus) which enables our clients to access cheaper call rates along with "world's best" data and telephone security. One client we are talking with about this is making savings of over \$1,400 a month whilst getting a brand new, state-of-the-art phone system which is going to deliver massive efficiency across their business. If you would like to discuss the opportunities for your business, please call Peter at the office. It is a stunning product (must be—the likes of Coles Myer, the banks and larger corporates are using it) originally developed for the US military! In fact, where your phone bills (excluding mobiles) are over \$200 per month, the savings which can be generated can be up to 40%.

We take this opportunity to wish you and yours a safe and happy Easter and hope Australia does well at the Commonwealth Games in Melbourne.



Recent Tax Office Developments

Work Choices – Your business and the new dismissal laws

The new dismissal laws introduced with the Federal Government's *Workplace Relations Amendment (WorkChoices) Act 2005* will impact all businesses. Under the new legislation a distinction is made between **unlawful terminations** and **unfair dismissals**.

Simplified accounting method turnover thresholds

Food retailers can use the simplified accounting methods to calculate their GST. There are four different methods that can be used depending on the food retailer's business.

Where self-education expenses are not deductible

Self-education expenses are not deductible when there is no relevant connection between the self-education expenses and production of an assessable income.

No deduction for abnormal clothing expenses

The Administrative Appeals Tribunal (AAT) has held that the CEO and director of a company was not entitled to a deduction of approximately \$38,800 for abnormal work-related clothing expenses on the basis that the expenditure was not incidental and relevant to her earning assessable income.

Super Deductions for Self-Employed Contractors

Proposed amendments to the Superannuation Guarantee (SG) legislation have raised the possibility that employers will be able to deduct contributions made to self-employed contractors.

Your Superannuation Death Benefit

You might assume that your Will controls how all your money will be divided when you die.

That is not necessarily enough to decide what happens to money in your super fund, even if you have started drawing on your super as part of your retirement (eg. through an allocated pension). In fact, special rules control how your super fund trustees are allowed to distribute the money, and how that money will be taxed. Under those rules, various people may be entitled to claim a share of your super benefits.

Dealing with Debt

In the unfortunate event that a debt collector contacts you, you should be aware that the collector has guidelines on how to appropriately behave towards you.

Click on item headings for further information



Chartered Accountants

Disclaimer: The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein.

Recent Tax Office Developments (cont.)



"Lost track of your super? Well.. now you can find it easily by using SuperSeeker—you never know what you may find!"



"Make sure you have receipts to justify the deductions you are claiming, and can justify the connection between the expense and deriving the rental income"

Insurance Checklist

No one believes they will really need insurance until an unlikely event occurs and your business is put at risk. This is the whole point of insurance – to protect against the unthinkable and unforeseen.

How to Ensure Your Business Thrives and is Profitable

Owning and operating a business is a challenge at the best of times. To ensure your business thrives, keep the following points in mind (*on website*).

Deductions for Sponsorship

The ATO issued an interpretative decision (ID) on deductions and expenses: sponsorship of motorcycle racing (ATO ID 2005/284).

Estate Planning

Planning for blended families

Divorce is at the best of times a difficult and tumultuous time, and when combined with potential remarriage and children from more than one relationship, it can lead to significant estate planning complications.

To ensure that your estate is allocated the way you want it to be, consider the options available to you.

Have You Lost Track of Your Super?

If you have lost track of your superannuation, you can search for it quickly and easily using SuperSeeker either online or by calling their 24 hour, 7 days a week, self-help phone service on **13 28 65** (see website for further details).

Rental Property Tax Tips

When determining what you can and can't claim, it is recommended that you consider the following general tips.

These are guidelines only, and you should discuss them with us to determine how they apply to your particular circumstances.

- **Be able to justify your claim**
Make sure you have receipts to justify the deductions you are claiming, and can justify the connection between the expense and deriving the rental income (eg. it wasn't also for a private purpose).
- **Low cost depreciable assets of \$300 or less**
You generally get an immediate deduction for depreciable assets costing \$300 or less. However, if you purchased other items during the same tax year and together they form part of a set, or are substantially identical and the combined cost is more than \$300, each item must be separately depreciated.
- **Depreciable assets of between \$300 and \$1,000**
Subject to certain conditions, these assets can be 'pooled' and the total cost depreciated at 37.5 percent, which may be more favourable than separately depreciating them.
- **Allocating total purchase price**
If you purchase property with depreciable assets (eg. dishwasher, clothes dryer, etc.), you must allocate the total purchase price between the property and other items on a reasonable basis. If the sale contract does allocate the purchase price, the ATO may challenge it if the amounts allocated appear unreasonable.
- **Part of the building**
Items such as built-in wardrobes, swimming pools, electric cabling and security screens are treated as being part of the building and are not depreciable assets. Expenditure on 'capital works' (eg. the building and surrounding structures, driveways, etc.) is generally deductible over 40 years at 2.5 percent. There are restrictions on claiming it on capital works already constructed when you purchased the property.
- **Repairing existing wear/damage**
The cost of renovations or repairs to fix damage or wear in existence at the time you purchased the property are generally considered capital and not deductible.



Cont...

Rental Property Tax Tips (cont.)



"Make sure you declare in your tax return any capital gain when you sell the property"



Dreaming of a new car?? We can provide you with quotes and arrange competitive finance.. just give us a call and we will be happy to help!



"Flick & Matthew at Flick & Craig's engagement party"

➤ **Renovate and sell**

If your intention was to renovate and sell at a profit, rather than a long-term income producing investment, you may be taxed on the entire profit as a 'profit-making scheme'. This falls outside the capital gains tax (CGT) rules so you will not be eligible for the 50 percent CGT concession.

➤ **Body Corporate fees**

These fees are generally deductible. However, if a component is for a special-purpose sinking fund rather than general running of the complex, it may be considered capital and not deductible.

➤ **Travel to inspect property**

You can claim a deduction for the cost of travel to inspect the rental property. If there was also a private purpose to the trip (eg. a holiday or to visit family or friends) then you can only deduct a portion of the travel cost and potentially none if the property inspection was merely incidental to the private purpose for the trip

➤ **Below market rent**

If the property is rented to family or friends for below market rent, the ATO may treat this as a 'private' arrangement and only allow you to claim sufficient deductions to offset the rent, but not to make a tax loss.

➤ **Mortgage with redraw facility**

If the mortgage to purchase the property has a redraw facility, think carefully before redrawing to fund something private such as buying a car or a holiday. The interest expense must be apportioned between the 'deductible' and the 'private' portion of the total borrowings, and the calculations can be complicated.

➤ **Selling the property**

Make sure you declare in your tax return any capital gain when you sell the property. If you owned it for more than 12 months and it wasn't a 'profit making scheme' as mentioned above, you are only taxed on 50 percent of the capital gain after first offsetting it against any capital losses. If you lived in the property at some stage as your main residence, it is recommended that you speak to us about whether you qualify for the main residence CGT exemption (the rules can be complex).

➤ **Improvements**

The cost of repairs to the property that amount to an improvement, and don't merely restore it back to its original condition, is generally considered capital and not deductible.

Finance Quotes

Just a reminder that we provide competitive finance services for your acquisition of business assets. We can provide you with quotes and arrange finance through chattel mortgages, hire purchases, finance leases, novated leases and more. We are also able to provide line of credit facilities. Just click on the link below to fill in the form, or contact our office and we will contact you with a quotation within 24 to 48 hours.

[*Finance Quotes Link*](#)

Engagement News!

Felicity (Flick) and her boyfriend Craig became engaged on Christmas Day.

All of us here would like to wish Flick & Craig lots of happiness for their wedding day and future together.



Once again, Happy Easter!