



Information Update



matthew tol + associates

Firstly, a Merry Christmas to everyone. We hope you've enjoyed 2007 and 2008 will continue as a successful and prosperous New Year for you. We're looking forward to our break over the "festival days" and our office will be closing at 12.30pm on Friday 21 December and re-opening on Wednesday 2 January 2008.

We've had another terrific year with lots of change and growth (with Prue and Lauren on, we now number 13!) including new computers, getting rid of timesheets, some re-organisation of roles within the office and lots of great outcomes for our customers. We look forward to more of the same in the coming 12 months.

Peter is taking a couple of months off in the new year—half his luck—we're sure he will enjoy the time with his family.

The recent Federal Election gave a result which everyone expected and we trust the new federal government will be careful and astute in their management of our economy. They have some challenges to address.

We look forward to more fun and challenges in 2008, but want to thank you for your business over the past year—it's been fun, let's make sure it continues.

Recent Tax Office Developments

Click on heading for further information

Superannuation funds, death benefits & wills

Superannuation is held in Trust on your behalf by your nominated Superannuation Fund. Given that, it cannot be dealt with effectively through your will. As a result, you must specifically advise your Superannuation Fund if you wish to nominate a person to receive any benefits upon your death.

Transition to retirement and salary sacrificing

A person can access their superannuation on benefits as a non-commutable income stream provided they have reached preservation age (currently 55). This transition to retirement measure is an initiative by the government that allows people to supplement their perhaps part-time income with monies accumulated in their superannuation fund. It is aimed at attempting to retain experienced workers in the workforce at a time of skill shortage.

Fringe benefits tax

The Australian Taxation Office (ATO) has advised that they will undertake two major projects to ensure employers are meeting their fringe benefits tax (FBT) obligations in relation to employee car benefits. A letter will be forwarded to clients where it applicable in this matter and a courtesy copy will also be given to their tax agent.

Christmas fringe benefits

With Christmas looming it is a timely to note Christmas parties are exempt from FBT as minor benefits if the total value of the benefit

to the employee, including any family member attending, is under \$300. This increased from \$100 on 1 April 2007.

Keeping records—employer obligations

Are you fulfilling your obligations as an employer regarding record keeping? *(click on heading for a checklist of the Tax Office requirements relating to record keeping).*

Motor vehicle logbooks

If you need to complete a new logbook for a motor vehicle you need to start now so your 12 weeks is finished in time for the end of the FBT year on 31 March 2008.

Non commercial loss rules and commissioner's discretion

The Non Commercial Loss Rules of Division 35 limit the ability of taxpayers to offset business losses against other assessment income unless one or more of the following tests are met *(click on heading for list of tests).*

Drought assistance

With the ongoing drought continuing to affect primary producers throughout Australia, chartered accountants are well placed to provide support and services to people in the rural community.

Human influenza pandemic

The Victorian State Government has recently released a publication entitled "Human Influenza Pandemic—what your organisation needs to do"

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



Your Will—don't do a "Brocky"

Peter Brock's demise has caused a raft of issues for his family – some of which you may have seen in the press. The legal problem arose because he had three Wills in existence – a "proper" Will which was executed prior to his divorce from Beverly and two "Will Kit" Wills (which were not properly executed) prepared after his personal circumstances changed. A recent decision has shown that the "Will Kit" Wills, whilst not being valid, revoked his "proper" Will. The lawyers will do very nicely out of this we think!

We regularly speak with our clients regarding the status of their Wills – it is essential that they are reviewed regularly and that the wishes expressed in the Will are properly documented and the document is properly executed. If there are errors, then there is a distinct possibility that, like Brocky, the person who died will be held to have died intestate (without a valid Will) – this then means extensive legal costs and potentially protracted court cases.

Please ensure that you regularly review your Will – especially when your personal circumstances change – to ensure that it reflects your wishes and desires for your estate when you do pass away.



"It is essential that they are reviewed regularly and that the wishes expressed in the Will are properly documented and the document is properly executed"

Labor's victory signals tax changes

Labor's comprehensive election victory will result in the implementation of a range of new tax initiatives. This update provides a brief summary of some of Labor's tax proposals.

There is no doubt that the tax landscape is now certain to change. Evidence of this is already coming through with the Labor proposal to reverse the family trust election changes that received royal assent on 24 September 2007 and to abolish the office of the Inspector-General of Taxation.

Income tax cuts

Labor has proposed the following individual tax rate cuts, which differ from the Coalition's campaign proposal slightly in that Labor will defer tax cuts proposed by the Coalition for those who earn more than \$180,000 per year:

Current		By 2010-11	
Taxable income (\$)	Rate (%)	Taxable income (\$)	Rate (%)
0 - 6,000	0	0 - 6,000	0
6,001 - 30,000	15	6,001 - 37,000	15
30,001 - 75,000	30	37,001 - 80,000	30
75,001 - 150,000	40	80,001 - 180,000	37
150,001+	45	180,000+	45

Labor's "aspirational goal" is to reduce individual tax rates to the following by 2013-14:

2013-14	
Taxable income (\$)	Rate (%)
0 - 6,000	0
6,001 - 37,000	15
37,001 - 180,000	30
180,000 +	40

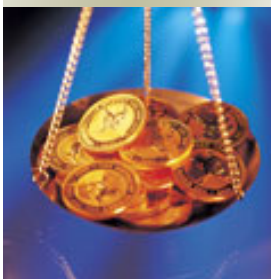
Other aspects of Labor's tax plan include raising the low income tax offset from \$11,000 to \$16,000 by 2010-11 and then to \$20,000 by 2012-13.

Reversal of family trust election changes made by the Coalition

Labor will reverse the changes to family trusts introduced by the Tax Laws Amendment (2007 Measures No 4) Act 2007 (Cth).

These measures included:

- ✦ the widening of the "family group" to include lineal descendants and former spouses, widows, widowers and step-children;
- ✦ allowing family trust and interposed entity elections to be made or revoked in certain very limited situations;
- ✦ not requiring an interposed entity election to be made where another trust has the same test individual; and
- ✦ allowing the test individual to be varied once subject to certain prerequisites.



"Labor's 'aspirational goal' is to reduce individual tax rates....."

Labor's victory signals tax changes (cont.)

Education rebate

A key feature of Labor's tax plan is the introduction of its 50% education tax refund scheme. This will allow eligible parents to claim:

- ✦ a 50% refund every year for up to \$750 of education expenses for each child attending primary school (maximum \$375 per child, per year); and
- ✦ a 50% refund every year for up to \$1,500 of education expenses for each child attending secondary school (maximum \$750 per child, per year).

Therefore a typical family with a primary school aged child and a secondary school aged child would receive a tax refund of up to \$1,125 per year.

All families who receive Family Tax Benefit (Part A) will be eligible for Labor's new 50% tax refund for eligible education expenses.

Eligible expenses are for items that support a child during school and improve the quality of education a child received. Eligible items will be defined as:

- ✦ laptops;
- ✦ home computer and associated costs;
- ✦ home internet connection;
- ✦ printers;
- ✦ education software; and
- ✦ school text books.

Child care rebate

From 1 July 2008, Labor will increase the Child Care Tax Rebate from 30% to 50% and will pay the rebate every 3 months instead of every 12 months. The maximum rebate amount will be lifted from \$4,354 to \$7,500 per child. Current eligibility requirements for the offset will remain in place.

Under Labor's proposal, a typical family with one child using 40 hours of long day care each week would receive an extra \$1,086 of assistance each year. The same family using 20 hours instead would receive an additional \$498 of assistance.

Housing affordability tax credits

Labor will consider introducing tax credits for investors charging below market rent to Australian families. It will establish a National Rental Affordability Scheme aimed at creating 50,000 new rental properties across Australia.

Under the scheme, institutional investors (such as superannuation funds) who build new homes and rent them to low and middle income households at 20% below market rates will receive a \$6,000 rental tax incentive per dwelling. Such investors will also benefit from at least \$2,000 per year in direct or in kind financial support from State Governments.

It is expected that the scheme will pay approximately \$600 million in tax credits to developers in building new stock and new supplies of affordable rental accommodation.

First home saver accounts

Labor will create low-tax First Home Saver Accounts to assist first home buyers.

The accounts will operate in a similar manner to superannuation accounts, allowing aspiring home-buyers to make contributions to their home saver accounts at a low tax-rate. Withdrawals will only be permitted for the purchase of an eligible first home and will be tax-free.

The main features of the scheme include the following:

- ✦ Anyone over 18 who complies with the eligibility criteria for the First Home Owners Grant can open an account;
- ✦ There is a minimum savings period of 4 years before a withdrawal from the account can be made; and
- ✦ A \$10,000 indexed cap applies to total contributions made each year. The first \$5,000 deposited by account-holders may be made from pre-tax income and is taxed at 15%, while an additional \$5,000 per year can be contributed from after-tax income.

Like superannuation, contributions made from pre-tax income will be subject to a 15% contributions tax. After-tax contributions can be made tax free. The headline tax rate for earnings will be the same as for superannuation cash earnings (ie. 15%).



"Eligible expenses are for items that support a child during school and improve the quality of education a child received"



"institutional investors (such as super funds) who build new homes and rent them to low and middle income households at 20% below market rates, will receive a \$6,000 rental tax incentive per dwelling"

Labor's victory signals tax changes (cont.)

Introduction of a "BAS Easy" option for small business

Small businesses with an annual turnover of less than \$2 million will be eligible to select Labor's BAS Easy option when filing their returns. Under BAS Easy, small businesses are given the choice between two methods, known as the business norms method and the snapshot method.

Under the business norms method, the ATO issues a business norm for each category of business, which a small business then applies to sales and/or purchases.

Under the snapshot method, a business takes 2 snapshots per year of their GST sales and input tax credits. Each snapshot covers a 4 week period. The 2 snapshots are averaged and the resulting ratio of input tax credits to GST is applied to all other periods.

Further features of BAS Easy include removing the requirement of annual reconciliation and limiting the auditing powers of the ATO to cases where a taxpayer is suspected of fraudulent activity.

Reduction of withholding tax on distributions

From 1 July 2008. Labor has stated that it will reduce withholding tax on distributions from Australian managed funds to non-residents from 30% to 15%. The regime will apply to the Australian-sourced net taxable income of the trusts and the need to lodge a tax return and claim debt as a deduction will be abolished.

Changes to superannuation

Labor has stated that it will:

- ✦ ensure that the 9% Super Guarantee contribution is based on pre-salary-sacrifice income;
- ✦ consider expanding the super co-contribution scheme by lifting the cap or reducing the means test; and
- ✦ implementing automatic consolidation of inactive lost superannuation accounts by using the TFN to automatically transfer lost accounts into the most recent active account.

Abolishing the role of Inspector-General of Taxation

As part of a range of initiatives aimed at reducing tax-related expenditure, Labor will abolish the role of Inspector-General of Taxation.

Water tax credit

In a plan designed to secure the water supplies of Australia's major cities, Labor will fund a 10% water tax credit, capped at \$100 million per project, for approved desalination, water recycling and major storm water capture projects developed by the private sector, local governments, and State and Territory Governments.

Summary

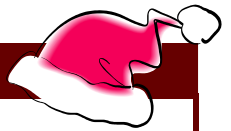
Labor has proposed a number of tax initiatives affecting both individuals and businesses. It is important that taxpayers stay up to date with the latest tax developments as Labor begins implementing its proposed changes.



"Under BAS Easy, small businesses are given the choice between two methods, known as the business norms method and the snapshot method"



"Labor has a plan designed to secure water supplies in Australia's major cities"



New Staff Members..



Prue Smith



Lauren Carey

Movember....



Movember was a great result for the funds we raised, but (given the evidence), it may be better to pay us not to grow anything!



Baby on the way....

We would like to congratulate Danielle (Dani) and her husband Lee on the forthcoming arrival of their new baby due in April. We wish them lots of happiness for their future together.



Staff Profiles....

We thought we would do something a bit different in this and future newsletters and are therefore introducing staff profiles (below). Each newsletter will have profiles of two staff members.

Brooke Ashby:

Nickname/s (printable one's only)? **Smithy.**

Most important person/people in your life?
Husband Eric and daughter Olivia.

What was your childhood ambition? **To be a vet.**

What is....

Your favourite movie? **Notting Hill.**

Your favourite album? **Faith Hill—Breathe.**

Your favourite book? **Where is the green sheep!**

Your favourite meal & drink? **Biscuits and cheese and wine—lots of wine!**

Your favourite holiday destination? **Anywhere but home.**

Pet hates? **Liars, being late.**

Dogs or cats? **Definitely dogs.**

If you could invite three people over for dinner, dead or alive, who would they be? **My nanna, Andre Agassi, Kochie.**

Specialty in the kitchen? **Lasagna, sweet stuff, anything with chocolate in it!**

What do you want to be remembered for? **Being a good friend.**

Peter Jacks:

Nickname/s (printable one's only)? **Jacksy, Crackers.**

Most important person/people in your life?
Wife—Ann and son—Aidan.

What was your childhood ambition? **To be a fighter pilot!**

What is....

Your favourite movie? **Gladiator.**

Your favourite album? **The Best of Sting and The Police.**

Your favourite book? **Da Vinci Code.**

Your favourite meal & drink? **Steak with Red Wine Sauce and glass of red wine.**

Your favourite holiday destination? **Rome, Italy.**

Pet hates? **Making lots of noise when chewing food!**

Dogs or cats? **Two maltese—Jack and Jill.**

If you could invite three people over for dinner, dead or alive, who would they be? **Michael Jordan, Warren Buffet, Leigh Matthews.**

Specialty in the kitchen? **Not much—probably marinated chicken fillets on potato mash sprinkled with choice vegetables covered with a marinade sauce.**

What do you want to be remembered for? **Being devoted to family.**

Lessons we owe our mums....

1. **My mother taught me TO APPRECIATE A JOB WELL DONE.**
"If you're going to kill each other, do it outside. I've just finished cleaning."
2. **My mother taught me RELIGION.**
"You'd better pray that will come out of the carpet."
3. **My mother taught me about TIME TRAVEL.**
"If you don't straighten up, I'm going to knock you into the middle of next week!"
4. **My mother taught me LOGIC.**
"Because I said so, that's why."
5. **My mother taught me IRONY.**
"Keep crying, and I'll give you something to cry about."
6. **My mother taught me about STAMINA.**
"You'll sit there until all that spinach is gone.."
7. **My mother taught me about HYPOCRISY.**
"If I told you once, I've told you a million times. Don't exaggerate!"
8. **My mother taught me about the CIRCLE OF LIFE.**
"I brought you into this world, and I can take you out."
9. **My mother taught me about BEHAVIOUR MODIFICATION.**
"Stop acting like your father!"
10. **My mother taught me about ENVY.**
"There are millions of less fortunate children in this world who don't have wonderful parents like you do."
11. **My mother taught me about ANTICIPATION.**
"Just wait until we get home."
12. **My mother taught me about RECEIVING.**
"You are going to get it when you get home!"
13. **My mother taught me about MEDICAL SCIENCE.**
"If you don't stop crossing your eyes, they are going to get stuck that way."
14. **My mother taught me WISDOM.**
"When you get to my age, you'll understand."
15. **And my favourite: My mother taught me about JUSTICE.**
"One day you'll have kids, and I hope they turn out just like you."

**Merry Christmas and
Happy New Year everyone!!**

