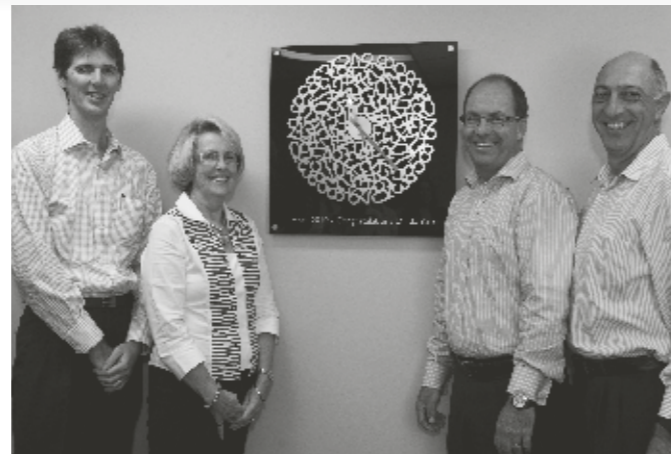


**BUSINESS & TAXATION
BULLETIN**
Winter 2010

CIB NEWS

CONGRATULATIONS TO CHRIS, GEORGE, JAN & BRAD ON THE CELEBRATION OF 25 YEARS OF CIB ON 1 APRIL. We are looking forward to what the next 25 years will bring!



EMPLOYEE NEWS

CONGRATULATIONS TO CHRIS & MARGARET COULTON ON CELEBRATING 30 YEARS OF MARRIAGE TOGETHER!

2010 CADET EVENING

ON THURSDAY 13 MAY, CIB ATTENDED THE INSTITUTE OF CHARTERED ACCOUNTANTS CADET EVENING

The night was a great success and allowed us to meet with Year 12 students who were interested in a cadetship which gives them the opportunity to commence work with a Chartered Accounting firm while studying a business or commerce degree at university.



**CIB – ACTING LOCALLY
THINKING GLOBALLY**



**OUR LOCAL EXPERTISE
HAS EXTENSIVE REACH**

DFK MEMBER FIRM NEWS

DFK AUSTRALIA NEW ZEALAND HAS MEMBER FIRMS THROUGHOUT THE REGION & IS 19TH ON BRW'S TOP 100 LIST OF ACCOUNTING GROUPS.

It is part of DFK International which posted record results for 2009 with combined fee income of US\$1.05bn. DFK is clearly established as one of the top 10 specialist international accounting associations with over 380 offices in 70 countries.

CONTRIBUTORS The general content of this Newsletter was contributed by Clare Pendlebury Telephone 9683 5999 or email clare.pendlebury@cibaccountants.com.au

IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and not made available to any person without our prior approval.

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BUSINESS & TAXATION BULLETIN
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INDUSTRY BENCHMARKS

The ATO has recently released new industry benchmarks for a range of industries. The tax office gathers these statistics based on all tax returns lodged for a particular industry classification.

Developing benchmarks for small business industries helps the ATO to identify dishonest operators who are outside the benchmarks and make the tax system fairer for all taxpayers. If your business falls outside industry benchmarks, you may be requested to provide an explanation.

To see how your business compares with the ATO benchmarks, please refer to the ATO website and search 'Small Business Benchmarks'.

IN THIS ISSUE

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- Time to Start Tax Planning
- ATO System IT Upgrade
- Superannuation – Minimum Pension Payments
- Superannuation Contribution ATO Standard Business Reporting
- Superannuation Co-contribution
- Superannuation Contribution Limits
- NSW Payroll Tax
- GIC & SIC Rates
- **FEATURE ARTICLE:**
The Henry Review into Australia's tax system + The Cooper Review into Australia's Superannuation Industry
- **CIB PRIVATE WEALTH SERVICES ARTICLE:**
Who Should Have a Self-managed Super Fund?
- Upcoming Key Dates & Deadlines
- CIB Employee News
- DFK Member Firm News

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TIME TO START TAX PLANNING

As the end of the financial year approaches, its time to examine potential tax planning opportunities to help minimise the overall tax liability facing a business or family group.

Defer Income

As long as your business cashflow permits, you may wish to defer raising invoices in the month of June and instead raise them on 1 July 2010. As most businesses operate on an accrual system, tax is paid on the value of invoices raised rather than cash received. By deferring invoices, this will defer the subsequent tax liability to the following tax year.

Accelerate Deductions

A business can claim a tax deduction for any expenses it has incurred and has a legal liability to pay, even if the actual payment has not yet been made. A common example is employee bonuses that have been communicated to staff, but not yet paid at 30 June 2010. You may also ensure that supplier invoices are dated in June 2010, rather than being held for the next financial year.

There are some expenses, for which the bringing forward of the deduction does not apply, these being

- Unpaid superannuation contributions at year end
- Purchases of trading stock
- Purchases of depreciating assets

Small & General Business Tax Break

Your business may be eligible for the small and general business tax break for depreciable assets purchased between 1 July 2009 to 31 December 2009 which are installed and ready for use by 30 June 2010. Small businesses which purchased an asset greater than \$1,000 are eligible for an additional 50% tax deduction while all other businesses which purchased an asset greater than \$10,000 are eligible for an additional 10% deduction.

Capital Allowances

If you or your business has recently purchased a commercial or residential building you may want to consider obtaining a quantity surveyors report that will entitle you to a 2.5%pa deduction on the construction costs, depending on the date the construction was completed.

ATO IT SYSTEM UPGRADE

You may be aware that the ATO recently upgraded its IT system which processes income tax returns and activity statements. Due to problems with the upgrade within the ATO system, the processing of returns was delayed by an additional 6 weeks. If you were affected by the delay, we thank you for your patience as we liaised with the ATO regarding all late assessments.

SUPERANNUATION – MINIMUM PENSION PAYMENTS

A reminder that all self-managed superannuation funds which are in pension phase are required to make minimum pension payments by 30 June 2010. The minimum pension amount is calculated by taking the pension account balance at 1 July 2009 and multiplying it by the ATO prescribed rate as determined by the member's age. The minimum pension rates for the 2010 financial year are as follows:

AGE	% OF ACCOUNT BALANCE
Under 65 years	2%
65-74 years	2.5%
75-79 years	3%
80-84 years	3.5%
85-89 years	4.5%
90-94 years	5.5%
95 years or more	7%

ATO STANDARD BUSINESS REPORTING

A new Federal Government initiative known as Standard Business Reporting (SBR) is due for launch in July 2010. The new system aims to reduce the reporting burden of businesses to government organisations by combining reporting to the Australian Taxation Office, Australian Securities and Investment Commission, the Australian Prudential Regulation Authority, Australian Bureau of Statistics and each states' Office of State Revenue.

This simplification will be achieved by improved electronic communication between agencies and accounting software, along with the introduction of a new electronic interface which can be accessed via an AUSKEY. An AUSKEY will be a single secure sign-on for all government services.

The ATO will be phasing out the existing digital certificates for online services which will be replaced by an AUSKEY.

SUPERANNUATION CO-CONTRIBUTION

A great way to boost your retirement savings if you have a low taxable income, is to access the government superannuation co-contribution. If you make an eligible personal superannuation contribution the government will match it up to certain limits. The maximum entitlement is \$1,000 if your taxable income is below \$31,920 and the co-contribution amount is gradually phased out to the higher income threshold of \$61,920.

SUPERANNUATION CONTRIBUTION LIMITS

Before making any large superannuation contributions in June 2010, ensure that you have not exceeded the relevant superannuation contribution caps for the 2010 financial year, as detailed below:

AGE OF MEMBER	CONCESSIONAL CAP	NON-CONCESSIONAL CAP
Under 50 years old	\$25,000	\$150,000*
Aged 50 years or older	\$50,000	\$150,000*

* Members who are less than 65 years old have the option to bring forward 3 years worth of non-concessional contributions, increasing the cap to \$450,000 for the 2010 financial year.

NSW PAYROLL TAX

A reminder that all NSW annual payroll tax reconciliations are due for lodgement and payment on 21 July 2010. The payroll tax threshold for 2010 is \$638,000 which includes the total of all wages, salaries, superannuation and fringe benefits provided to employees during the period.

The current rate of payroll tax is 5.65% from 1 January 2010 and will be lowered to 5.50% on 1 January 2011.

GIC & SIC RATES

The ATO has published General Interest Charge (GIC) and Shortfall Interest Charge (SIC) rates for the fourth quarter of the 2009-10 income year.

The GIC annual rate for April – June 2010 is 11.16%, and the SIC rate is 7.16%.

WE TREAT OUR CLIENTS' BUSINESS
AS IF IT WERE OUR OWN BUSINESS

FOR MORE INFORMATION & FUTURE NEWSLETTERS

If you would like more information on anything contained in this bulletin please telephone one of our friendly team members on 02 9683 5999 or email them at news@cibaccountants.com.au.

Should you wish to download electronic versions of any of our bulletins please subscribe on our website at www.cibaccountants.com.au



FEATURE ARTICLE: THE HENRY & COOPER REVIEW – BY KHANH HUYNH

THE HENRY REVIEW INTO AUSTRALIA'S TAX SYSTEM

On 2 May 2010, the Government finally released The Henry Review into Australia's tax system together with their much anticipated initial response to the Review.

The Henry Review, was directed to perform a comprehensive review of the Australian tax system. Its primary objectives were to identify the reforms necessary to enable the Australian taxation system to meet the challenges of the 21st Century.

The Henry Review which comprised 1,300 pages, produced 138 recommendations for comprehensive tax reform – of this, only 5 have been accepted whilst 29 recommendations have been clearly rejected either partially or wholly.

Please be advised that the five recommendations accepted by the government are only proposed changes and have not yet been legislated.

Reduction in Corporate Tax Changes

The government has supported calls for the reduction in the company tax rate reducing the rate, from 30%, to 29% for the 2014 income tax year and 28% from the 2015 income tax year. Small business will gain an additional benefit with a reduction to the 28% rate effective from 1 July 2012.

The reductions, the first since 2001, are long overdue. In the medium to long term, the Henry Review recommended that the corporate tax rate be reduced to 25%. It is disappointing that the government has **not** made any commitments or comments to support this recommendation.

The government has noted that it will not make any changes to the dividend imputation system.

Small Business

Starting from 1 July 2012, small businesses will benefit from the immediate write off of assets purchased for less than \$5,000.

In addition, with changes to the depreciation rules, the depreciation of all other assets (excluding buildings) would be permitted to be 'pooled' or grouped at a simpler 30% rate. This would allow small businesses to bring forward the tax deduction which will assist with cashflow.



When questioned on what a 'small business' was in respect of the proposed changes, the government has not issued guidelines as to what entities would qualify as 'small business entities'.

Superannuation

The government has announced that superannuation guarantee payments made to employees, currently 9%, will progressively increase to 12% by the 2020 income tax year as follows:

YEAR	SUPERANNUATION GUARANTEE RATE
1 July 2013 – 30 June 2014	9.25%
1 July 2014 – 30 June 2015	9.50%
1 July 2015 – 30 June 2016	10.0%
1 July 2016 – 30 June 2017	10.5%
1 July 2017 – 30 June 2018	11.0%
1 July 2018 – 30 June 2019	11.50%
1 July 2019 – 30 June 2020	12.0%

The age limit for superannuation guarantee payments will also increase from the current 70 years to 75 years.

For workers earning less than \$37,000 per annum, the government will also make a contribution of 15% of the concessional contributions made on their behalf, up to a \$500 limit. In effect, the tax on the superannuation contributions for these workers – currently 15%, would be nil. These changes will come into effect from 1 July 2012.

For people over 50 with superannuation balances of less than \$500,000, the government has also increased the amount of deductible superannuation that they can make, increasing the limit from \$25,000 to \$50,000. This would allow older taxpayers approaching retirement with small superannuation balances to increase their super balances at a time when they require it most.

The Henry Review also suggested that the tax on superannuation contributions, currently 15% be reduced to 7.5%. The government has not issued any comment regarding this recommendation.



The announced measures should increase the superannuation savings of many Australians and encourage more savings towards superannuation. It is also a major step forward in assisting lower income earners with their retirement savings.

Energy & Natural Resources Tax

The government will introduce a new 40% resources super profits tax from 1 July 2012 for petroleum and mining projects.

It is anticipated that the additional taxes will go to fund a new state infrastructure fund to support infrastructure used to support the resources industry.

Resource Exploration Refundable Tax Rebate

Exploration conducted in Australia after 1 July 2011 will be eligible for a refundable tax offset. This will enable companies with tax losses access to cash tax refunds.

This rebate has been implemented to encourage more direct investment into the Australian Resources Industry.

Recommendations Rejected by the Government

The government has also rejected many recommendations made by The Henry review, and stressed that they will **NOT** be adopting any of the following recommendations:

- Introducing land tax on the family home
- Requiring parents to work when their youngest child turns four
- Reducing the general 50% capital gains tax discount
- Introducing a bequest or death tax
- Removing tax deductions for 'negatively gearing' rental properties – where the rental expenses exceed rental income on a rental property
- Increasing the 10% GST rate

Balance of Recommendations Outstanding

There are a further 114 recommendations that have neither been rejected nor adopted. These include:

- The abolition of the 15% superannuation contributions tax on superannuation
- Indexation of the annual superannuation contributions cap

- Allowing current year revenue losses to be offset against prior year income profits
- Removal of some of the small business Capital Gains Tax (CGT) concessions
- Increasing the small business CGT concessions eligibility turnover threshold from \$2 Million to \$5 Million
- Increasing the tax-free threshold for individuals and applying a constant marginal tax rate
- Changes to the Personal Services Income (PSI) regime
- Replacement of the current Fringe Benefits Tax (FBT) valuation of motor vehicle benefits under the statutory formula with a single rate of 20%
- Removal of FBT concessions for not for profit organisations and reviewing FBT exemptions generally
- Abolition of payroll tax and stamp duty, and the introduction of a road congestion tax

Self Managed Superannuation – The Cooper Review

In May 2009, the government announced a review into the taxation and administration of self management superannuation funds (SMSF).

On 29 April 2010, the Chairman of the Review, Jeremy Cooper, issued the following recommendations:

- Prohibiting investment in collectables and personal-use assets (such as artworks, wine collections, exotic cars and yachts);
- Tightening the SMSF registration process, including the introduction of member identity requirements, to reduce instances of fraud and illegal early release schemes; and
- Reducing the potential to benefit illegally from related party transactions by prohibiting the acquisition of in-house assets and imposing restrictions on the way in which an SMSF can transact with related parties.

The government is yet to respond to the recommendations; however, given the ever increasing numbers of SMSFs we expect a response will be forthcoming sooner rather than later.

WE BUILD SUCCESSFUL,
LONG-TERM RELATIONSHIPS
WITH OUR CLIENTS

WHO SHOULD HAVE A SELF-MANAGED SUPER FUND? – BY RAY BOSTELMAN

With the growing disillusionment surrounding the Retail Superannuation sector, Self-Managed Superannuation Funds (SMSFs) are becoming increasingly popular in Australia.

However, just because your retail or industry fund has not performed the way you might like in the last 2 years or so, does not necessarily mean that an SMSF is the right option for you.

- 1. **The combined superannuation balances of the potential SMSF members** – it is generally accepted that the combined balances should total at least \$200,000 in order for the economies of scale to kick-in. This is because SMSFs must pay an accountant to prepare and lodge tax returns, as well as audit the Fund. The larger the balance of the fund, the smaller that these fees become as a percentage of the combined balances.
- 2. **The stage of life / investment objectives of the SMSF members** – it may not be appropriate to include members in the same Fund that have differing objectives, such as income needs to fund a pension versus accumulating capital growth. Some members may also be willing to take on a much greater amount of risk than other members are comfortable with.
- 3. **The time, responsibility and administration burden of running the SMSF** – it takes a lot of time and effort to choose, implement and manage your investments, in addition to the compliance requirements of an SMSF. Some people enjoy this, whilst others find it a burden – one option may be to outsource this to external advisers.

There are a number of key advantages of having your own SMSF, which may make this option the right one for you, including:

- 1. **If you are a business owner, it is possible to have business premises owned by the SMSF and leased back to the business to generate income for the Fund.**
- 2. **The Trustees have ultimate control over how the funds are invested and have a thorough understanding of the assets of the Fund.**



- 3. **Investment choice is wide and includes a number of asset classes that are not always available to the retail member, including direct property, direct shares, art and wine.**
- 4. **It is possible to gear within your SMSF through the use of instalment warrants** – this means that, for example, cash in the fund could be used as the 'deposit' for a property that the SMSF could otherwise not afford, with the balance being lent by a 3rd party.
- 5. **The Trustees of SMSFs have ultimate control over benefit payments, and can structure these effectively** – such as in the case of reversionary pensions.
- 6. **It is often a simpler process to implement superannuation strategies that become available as a result of legislative changes** – an example being the recontribution strategy to minimise any tax on superannuation death benefits being directed to non-tax dependents.
- 7. **SMSFs can be structured so that the members have clear visibility of the income stream being produced by their superannuation monies in advance of actually accessing these income streams, making retirement planning an easier task.**
- 8. **Life & Total and Permanent Disability can be held under your SMSF so that a) there is certainty of where the insurance proceeds are directed; and b) your Fund will receive a tax deduction for the premiums.**

A Self-Managed Super Fund is certainly not for everyone, however there are a number of key advantages that make an SMSF a potentially attractive proposition.

As always, please call to discuss should you wish to explore this path further or have any questions about this article.

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GREAT PEOPLE THAT KNOW & UNDERSTAND ALL LEVELS OF BUSINESS & FINANCE

UPCOMING KEY DATES & DEADLINES

26 MAY 2010	January to March Business Activity Statements due for electronic lodgement and payment
28 MAY 2010	Fringe Benefits Tax Return due for lodgement and payment
5 JUNE 2010	Income Tax Returns due for lodgement and payment for all entities not previously required to be lodged
21 JUNE 2010	May Monthly Activity Statement due for lodgement and payment
30 JUNE 2010	End of Financial Year
21 JULY 2010	NSW Payroll Tax Annual Reconciliation due for lodgement and payment
28 JULY 2010	April – June PAYG Instalment Notice for the head company of a consolidated group
28 JULY 2010	April – June Business Activity Statement due for paper lodgement and payment
21 AUGUST 2010	July Monthly Activity Statement due for lodgement and payment
25 AUGUST 2010	April – June Business Activity Statement due for electronic lodgement and payment
21 SEPTEMBER 2010	August Monthly Activity Statement due for lodgement and payment



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