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## SPRING 2007 NEWSLETTER

The MBA Team have been kept very busy over the last few months preparing 2007 tax returns. We are continuing to strive to meet our commitment to you by having your tax returns prepared within 6-8 weeks from the time of gathering all your information. **If your return is currently with us and you are wanting to check on the progress of that task please do not hesitate to call our office.**

### Staff Changes at MBA

**Brad Denny** joined our team of accountants in July this year. Brad had worked with us previously about 4 years ago, while still a student. **Brad** has now completed his degree, and is enjoying the opportunity to further his career at MBA. Welcome back Brad!

This week we have also welcomed another new face into the team. **John Hille** is a local young man, who has completed his accounting degree and will be starting his CPA studies in the coming year.

Many of you would have spoken to, and met, **Amy Bignell**. Amy had been with us for about 4 years when in September she took the opportunity to move to Mackay in Queensland! She is now working at a local firm and from all accounts enjoying the warmer weather. Good luck for your future Amy!

**Jan Keltie**, one of our admin team, has decided it is time to spend more time on herself and with her family! Jan's last day at MBA will be on Friday 26<sup>th</sup> October. The MBA team would like to thank Jan for her dedication to MBA over the last four years and wish her, and her family, all the very best for the future.

### MBA Staff Directory

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**Please note: Melbourne Cup weekend closure – the MBA team are taking an extended break over Melbourne Cup Weekend. The office will close at 5pm Friday 2nd November and reopen for business on Wednesday 7<sup>th</sup> November.**

### Tax Audit Insurance

The Australian Tax Office (ATO) continues to announce significant increases in their audit activity. Now more than ever, individuals, small businesses and Self Managed Superannuation Funds are at risk of being selected for a random audit. Unfortunately, the instigation of a random audit or investigation by the ATO, or indeed any Federal or State revenue agency, **will result in costs to you**. Even if there are no adjustments to the return, there would still be costs associated in the preparation of material for the ATO, or the agency involved, and the managing of the response process.

It is for this reason that MBA have taken out **Audit Insurance** to cover the professional fees incurred in preparing all relevant documentation and responses to the ATO, or any other Government Agency, conducting an Audit, Review or Investigation. The policy covers these costs (up to a prescribed limit) for any audits, reviews or investigations relating to the **current year's returns, and all previous years**. This cover does not automatically extend to our client, however we can add any client account (on payment) to the list of clients participating in this service. In the event that you are subsequently subject to an audit, we will then seek to claim our bill from the insurance company.

**We emphasise that there is no compulsion to join this policy, and that it is for each client to decide whether to participate.**

MBA has offered all our clients the opportunity to take part in this policy through a mail-out in July 2007. If for any reason you did not receive that offer or you are a new client to MBA and have not been offered this as yet and would like to find out more, please call our office on 5970 8100.

### Our Mission Statement

To be a **Dynamic Business** that provides  
**Extraordinary Service**  
and **Complete Solutions** for our clients

Disclaimer: These notes are intended to be a guide only. Any information relating to financial product should not be considered to be personal advice as your needs, financial situation or objectives have not been taken into account. MBA Business Solutions Pty Ltd, its directors, employees and consultants expressly disclaim any and all liability to any person, whether a client or not, for the consequences of anything done or omitted to be done by any such person relying on a part or the whole of the contents. Do not act on the information without first obtaining specific advice regarding your particular circumstances from an appropriately qualified professional.

### Changes to the Asset test threshold

Now that the new simpler super regime is upon us, it is time to move our focus to the next round of amendments that may effect your financial position in retirement. From the 20th of September this year, the following changes will come into effect:

- The asset test taper rate will decrease from \$3 to \$1.50. This means that if you are currently asset tested, you will receive more age pension from the 20th of September, or may now be eligible for a part age pension; and
- The 50% asset test exemption on complying income streams (for example Term Allocated Pensions), will cease for pensions purchased after that date.

**Please note:** Existing pensions or annuities with asset test exemptions will not be affected. These changes represent an opportunity for those people currently close to the asset test threshold to receive a pension or to increase their current entitlements.

### Self Managed Superannuation Funds – Increasing the Numbers

Currently, a Self Managed Superannuation Fund (SMSF) must have 4 or fewer members in order to be a complying fund.



This is to ensure that all members remain involved in the management and decision making of the fund.

A Parliamentary Committee has recently completed an inquiry into the structure of the superannuation industry. One of the Committees key submissions was a recommendation to increase the membership limit of SMSF's to 10 members.

Major arguments for this increase include:

- Allowing adult children to join their parent's fund.
- Allowing business associates to join together in the same fund.

At this stage, the proposal is only a recommendation, and legislative change will be necessary before membership numbers can increase.

**If you would like to discuss whether a Self Managed Superannuation Fund is an option for you or your business, please call our office to arrange an appointment with your client manager.**

### A Guide to Rental Property Deductions

Some rental property expenses are immediately deductible in the year they are incurred, such as advertising for tenants, insurance on the property, or some minor repairs.

Some other expenses like renovation costs must be claimed over a number of years.

Rental property expenses relating to private or capital costs generally cannot be claimed, such as the cost of buying or selling your rental property or expenses connected to your own use of a property which is rented out for part of the year.

You may need to apportion your expenses claimed if:

- Your property is only rented for part of the year, or
- Only part of the property is used to earn rent, and/or
- You rent the property at non-commercial rates

Common mistakes made by taxpayers in relation to rental expenses include:

- Incorrectly claiming property improvements as repairs
- Claiming construction costs as decline in value
- Incorrectly apportioning borrowing costs and interest between business and private
- Claiming expenses for a property that is not genuinely available for rent

To find out more about the tax implications of owning a rental property, please speak to one of the team at MBA. MBA present Investment Property seminars on a regular basis. **The next seminar is to be held in November – please call our office to obtain more information.**

### Small Business - Help is on the way!

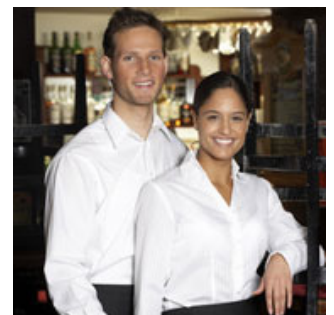
In a recent speech, the Commissioner has elaborated on the Tax Office's efforts to help small business through its "Small Business Assistance Program".

Under the program, the Tax Office will provide practical assistance to small business owners at various stages of their development.

It will address many issues relevant to the business life cycle such as taking on employees, registering for GST and offering assistance to businesses that fail to meet their obligations.

In addition, the Commissioner said that future improvements for small business include:

- more practical assistance, designed and delivered in collaboration with industry and local business bodies;
- greater access to information online;
- integration of web services into business accounting software, which will allow activity statements to be prepared, lodged and validated directly from a taxpayer's software;
- more effort in helping business to get tax matters right the first time;
- better customer service from Tax Office staff; and
- lower costs in reporting to government due to reduced duplication, increased government-to-government data sharing and a reduction in unnecessary reporting.



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