

TAX TIME 2007

It's that time of the year again – the time when MBA seem to send you out a lot of checklists and paperwork – otherwise known as Tax Time!

You should have all received a copy of our **checklists** to assist you in gathering the information you need to provide in order for us to complete your tax returns. If you have misplaced your checklist, or would like another copy, they are available on our website, www.mbabusinessolutions.com.au and go to the downloads page, or you can call our office to get another copy.

At MBA we understand how everyday life can be very busy and we have tried to make it easier for you, our clients, to communicate with us at a time that suits you in the following ways:

- **We encourage you to use email to “talk” to us! This way you can send your message when it suits you and be assured that we will respond promptly to your query.**
- **Our answering machine is on every night and over the weekend – so you can leave us a message at the time you think of it rather than having to wait for office hours! Once again all messages are responded to in a prompt manner.**
- **Our large letterbox located on the front wall of our building is able to hold A4 sized envelopes, so if you are passing our office after business hours and need to drop some documents in to us you can simply place them in the locked letterbox and know we will get it safely!**

CONGRATULATIONS RACHAEL AND BEN!

Recently our receptionist, Rachael Hardie, announced her engagement to Ben. They are now busily planning their wedding for late next year. Congratulations and Best Wishes to you both from all your friends at MBA!



IT'S HERE – PARLIAMENT PASSES SUPERANNUATION REFORM

Parliament has passed sweeping changes to the legislation governing taxation on superannuation.

The reforms are aimed at simplifying the superannuation tax provisions, while encouraging older Australians to remain in the workforce.

Treasurer Peter Costello, has described the changes as the most significant reforms to the taxation of superannuation in Australia's history.

The laws were passed with the backing of Labor and the minor parties although both expressed caution over the lack of detail.

Nick Sherry, Labor's superannuation spokesman, likened attempts to obtain more detail on the cost of the reforms to “extracting teeth”, while Australian Democrat, Andrew Murray, said the lack of “modelling” did not give a clear indication of the long term effects of the package.

Liberal senator, Grant Chapman, said the “groundbreaking reforms” will significantly benefit millions of Australians in the future.

There was a lot of fuss made about the importance of being organised and prepared for these changes before 30 June 2007 – but there still maybe some benefits for some clients even though that date has passed.

If you are left confused by all the changes or if you have any questions about how you can benefit from these reforms please call our office to arrange an appointment with one of our Accountants or Financial Planners.



MBA BOOKKEEPING SERVICES

At MBA we can provide an internal bookkeeping service to take the administrative burden and hassle of record keeping off your hands. This allows you more time to work on your business or spend time with the family.

We specialise in MYOB, Quickbooks and Cashflow Manager record keeping and can provide additional services in the areas of Accounts Payable (Creditors), Accounts Receivable (Debtors) and Periodic Reporting (upon request).

Our bookkeeper has full access to our accounting knowledge and expertise to ensure you receive a premium quality service at competitive prices. Please call us on 5970 8100 to discuss further how we can assist you.

FRINGE BENEFITS TAX: RATES AND THRESHOLDS FOR 2007-08

The rates and threshold levels for various fringe benefits provided from April 1, 2007 have been updated. The changes include:

The benchmark interest rate, applicable to all loan fringe benefits and car fringe benefits valued under the operating cost method is 8.05% p.a.

The cents per kilometre rates relevant for valuing benefits from the private use of vehicles other than cars, are as follows:

Engine Capacity	Rates per Kilometre
0 to 2500cc	41 cents
Over 2500cc	49 cents
Motorcycles	12 cents

The exemption from record keeping is available to employers who meet certain conditions and whose total benefits provided for the year beginning April 1, 2007 is less than \$6,614.

The indexation factors used for valuing non remote housing benefits for the year beginning April 1, 2007 are as follows:

New South Wales	1.023
Victoria	1.019
Queensland	1.057
South Australia	1.034
Western Australia	1.053
Tasmania	1.049
Australian Capital Territory	1.031
Northern Territory	1.054

YOU CAN'T PLEASE EVERYONE WHEN IT COMES TO TAX

The 2007 Federal Budget brought some good news for taxpayers with \$31.5 billion worth of personal income tax cuts.

One of the leading business groups in the country, the Australian Chamber of Commerce & Industry, welcomed the tax cuts and believes they will also benefit small business activity.



The ACCI however, are urging the government and opposition to improve the current position on Capital Gains Tax.

Peter Hendy, the chief executive of the ACCI expressed his concerns that capital gains tax "is a constraint on investment".

According to the latest quarterly St George-ACCI survey, business taxes and government charges constitute the second highest factor limiting business investment.

A change to, or reduction in, capital gains tax may help overcome this issue and in fact promote further investment.

2007 CAR PARKING FRINGE BENEFITS THRESHOLD

There are various circumstances that give rise to car parking fringe benefits.

Generally, two of these conditions are that:

- A commercial car parking station must be located within one kilometre of the car park provided by the employer; and
- The lowest fee charged by the operator of the commercial car park must be more than the car parking threshold.



For the FBT year commencing April 1, 2007, the car parking threshold for fringe benefits tax purposes is \$6.78.

Where there is more than one commercial parking station located within one kilometre, the condition is satisfied if the lowest fee charged by any of the operators is more than the threshold.

The cost to the employer of providing car parking benefits is tax deductible.

RENTAL PROPERTIES LEAD WAY FOR INVESTORS

The rapid rise in rents in the past 12 months throughout Australia may well lead to a surge in investment in rental properties.

Investors see their real returns rise substantially on the back of these rent rises, according to Paul Bennion, Managing Director of property depreciation company DEPRO.

"It is interesting to note that the Real Estate Institute of Australia is reporting rent increases over the last 12 months reaching as high as 9.8%."

"Demand in high growth areas like south east Queensland can only push these rental returns higher and it simply means that more and more property investors will be lured in to the market to chase the higher returns."

"Falling vacancy rates absolutely guarantee that investment properties will feature strongly in the financial planning of many investors and more and more of these investors are using tax depreciation schedules to increase their cash flows."

Mr. Bennion said he was amazed that so many investors appear to be unaware of the significant tax savings they can achieve through the simple and completely legal organization of a depreciation schedule for any investment property they may choose to purchase.

“For example, most investors do not realise that tax benefits obtained through depreciation can be equivalent to 60% of the total purchase price of their property.”

“A large proportion of these tax benefits are never claimed which means that investors are losing hundreds of millions of dollars every year by not claiming the legitimate benefits to which they are entitled.”

Mr. Bennion said he urged ordinary taxpayers who were considering investing in an investment property to absolutely ensure that they had a depreciation schedule in place at the very start to maximise the return on their investment.

“Quite simply, if you are considering an investment property without having a depreciation schedule in place, you are just allowing many, many dollars in tax savings to simply drift away” he said

JAMES AND CATHERINE

As promised in the last newsletter, here is a photo of James and Catherine Carroll on their wedding day – February 24, 2007.



INDUSTRY GROUP PUSHES FOR TAX CUTS

The Australian Industry Group [AIG] is pushing for the Government to cut income tax rates.

The AIG's view is that lower taxes improve incentives for

investment, saving and workforce participation.

The industry body said that it generally supported returning funds to individuals rather than holding taxation at high levels and running high budget surpluses.

The AIG has also proposed that the Government refund the tax on employer superannuation contributions for low income earners and middle income earners aged over 50.

It has further proposed that the Government increase the amounts it will pay under the Superannuation Co-contribution Scheme.

The AIG also said that consideration could be given to:

Reducing the tax rate on incomes between \$75,000 and \$100,000.

Reducing the top marginal rate to 40% and phasing down the company tax rate from 30% to 25%.

CAN LOANS TO BENEFICIARIES BE TAXABLE TRUST DISTRIBUTIONS?

It is common for a discretionary trust to make interest-free loans that are repayable on demand to beneficiaries of the trust. These loans or payments are usually treated as loans to the beneficiaries in the accounts of the trust. Although this is common practice, careful consideration should be given to the nature of the transaction recorded to determine whether it is in fact a loan. This issue was analysed in the recent case of *Weyer v Commissioner of Taxation [2006] FCA 818* where the Court held that approximately \$ 1.8 million dollars of loans to beneficiaries of the trust were in fact assessable distributions of income.

In this case, the Weyers Family Trust loaned money to Mr and Mrs Weyers to meet their living expenses. The money was deposited into the trustee's bank account and Mr and Mrs Weyers withdrew the money as they saw fit. As Mr and Mrs Weyers regarded this money as their own, they saw no obligation to repay the money to the family trust. Furthermore, although the payments to Mr and Mrs Weyers were described as loans, there was no documentation to that effect, no interest charged and no consideration given to if, when and how this loan was to be repaid.

The court found that the parties to the transactions had the objective of making funds available to Mr and Mrs Weyers for their exclusive use. They highlighted that, in this respect, it would be absurd to call such payments 'loans' as one cannot borrow one's own money.

This case is a timely reminder that although it is common practice for a trustee to lend money to beneficiaries on terms they deem fit, in order for them to be characterised as loans and not taxable distributions from the trust, they need to bear the essential hallmarks of a loan. At the very minimum, there must be an intention to repay the loan to the trust. Furthermore, regardless of what terms the trustee loans money to beneficiaries, such payments should be properly documented, including setting out the loan's terms, the interest payable and clearly stating that there is an obligation for the beneficiaries to repay the loan. Trustees should also consider from time to time whether repayment of the loan

should be demanded and whether this should be recorded in a minute.

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