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Autumn Newsletter 2014



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End of Financial Year Update – Plan to Win

Good tax planning before year end can mean significant tax savings - but leaving it until the last minute or, worse still, not giving it any thought, can be very costly. The following tax tips are particularly critical for the self employed to consider prior to 30 June 2014.

1) Maximise deductible superannuation contributions where appropriate

Employees have for many years had employers making contributions to their retirement funds, and this figure is now to the point where employers pay an additional 9.25% of an employees' salary to a super fund on their behalf.

Meanwhile, the self employed have the lowest average account balances. As a self-employed person, you need to manage for your retirement by making annual superannuation contributions. This is not an easy task

when a business is growing and requiring on-going capital investment.

The tax benefits of superannuation should be considered and, depending on your age, you can contribute personal contributions of up to \$25,000 if you are 59 or less, and up to \$35,000 if you are 60 or over. You should also ensure that these contributions are received by your superannuation fund at least a week prior to 30 June to allow for any processing delays, otherwise you may find that your last minute contributions are not able to be counted in this year's tax deduction.

Provided your spouse is employed in the business and subject to meeting other criteria, you may also be able to contribute up to the same contributions limits as noted above for your spouse. You will need a salary

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End of Financial Year Update – Plan to Win (cont)

sacrifice arrangement in place, although this is relatively simple to organise.

Ensure you DO NOT exceed the superannuation contributions caps each year as the tax cost can be significant.

Superannuation thresholds increasing for 2014–15 Financial Year

The age for these thresholds has reduced from 59 years or over on 30 June 2013 for the 2013-14 Financial Year, to 49 years or over on June 30 for the 2014-15 Financial Year.

For those aged under 49 years on 30 June 2014, the concessional superannuation contribution cap is increasing from \$25,000 to \$30,000.

For those aged 49 or over years on 30 June 2014, the higher temporary concessional cap of \$35,000.

The non-concessional contributions cap has also increased to \$180,000 (up from \$150,000).

2) Plant and equipment write-offs for small business (a small business is broadly defined as those businesses with an aggregated turnover of less than \$2M)

From 1 January 2014, the threshold for writing off assets for small businesses was reduced from \$6,500 to \$1,000. Small businesses can still write-off assets purchased under \$1,000.

Items costing \$1,000 or more are deductible at a rate of 15% in the year of purchase, then 30% per annum in subsequent years. Where possible, consider bringing forward the purchase of new plant and equipment prior to 30 June 2014 especially if the amount is less than \$1,000.

While pooling of assets has been around for a while, it is still a practical way for small businesses to deal with assets and simplify depreciation calculations.

For businesses which still maintain depreciation schedules, these should be reviewed to ensure there are no items which are no longer on hand which could be written off. This applies to both small and larger businesses.

3) Deferring income & prepaying expenses

Bearing in mind your cash flow position, you may wish to consider deferring income and prepaying expenses. You should keep in mind your tax bracket for both financial years to ensure you are not taxed at a higher rate on the deferred income.

If you return income on a cash basis, you are assessed on income as it's received. A simple end of year tax planning strategy is to delay (if possible) receipt of the income until after 30 June 2014.

Small business entities are also able to prepay expenses and, subject to a few rules, immediately claim the expenditure as a tax deduction upfront.

4) Review of management accounts prior to 30 June 2014

Taking the time to review your management accounts a few months before year end with us can identify tax areas and opportunities that require further consideration.

This review may include:

- Reviewing the overall position of the business with the view to increasing or decreasing your personal salary accordingly. You may find that there is an added cost in paying a larger salary to yourself if it is not necessary.
- Estimating tax position for the year to assist with year-end planning and budgeting.
- If the estimated tax payable is lower than anticipated, considering varying the June business activity statement to lower the final PAYG installment payment for the year.
- Considering further superannuation contributions, prepayment of expenses, deferring income and writing off assets.

Please contact us if you would like to discuss any of the issues raised in this update.

Car Expense Rates – First Increase in 5 Years

The car expense rates per kilometer have been set* for the 2013/14 year. They have been increased for the first time since 2008/09.

* Tax Laws Amendment (2013 Measure No. 1) Regulations 2013

Year	Small Car	Medium Car	Large Car
2012/13	63c	74c	75c
2013/14	65c	76c	77c



ATO Announces Contractor / Council Data Matching Program

The ATO has advised that it will acquire details of approximately 20,500 individuals providing contractor services to local government authorities in the 2010/11 and 2011/12 financial years from various local government Council and Shire authorities throughout:

- Queensland;
- Tasmania;
- New South Wales; and
- Victoria

These will be electronically matched with certain sections of ATO data holdings to identify non-compliance with lodgment and payment obligations under taxation law.

If you provided services to local government and are concerned, call us so we can advise what this means for you.

Salary Sacrifice Rental Property Expenses

Many employees have residential property investments, and most would be paying for the expenses out of their after-tax income.

However, by salary sacrificing those expenses, employees could make significant savings. For example, if an employee is entitled to claim an immediate deduction for an expense they occurred in relation to a rental property, they can achieve after tax savings by salary packaging rental property expenses (that are subject to the 'otherwise deductible' rule) for the following reasons:

- Where the employer is entitled to an input tax credit in respect of the rental property expense, the employee effectively salary packages the GST-exclusive cost of the expense and, in effect, avoids paying GST on the reimbursement.

- The employer may claim a deduction for the GST-exclusive cost of the expense, and the employer reimbursement or payment will not be subject to FBT as its taxable value will be reduced to nil under the 'otherwise deductible' rule; and
- Where the employer has reimbursed or paid for the cost of acquiring rental property depreciating assets that qualify as a 'once-only' deduction, the employee may 'double-dip' by claiming an outright deduction (in the year of purchase) for the GST-inclusive cost of the asset, under the \$300 immediate write-off for non-business assets.

Please contact our office for more details regarding the applicability of these deductions to you.

Protect Your Reputation – Manage Your Credit Rating

Personal Credit Rating Changes

Next month, missing a credit card repayment will mean more than a 'slap on the wrist' letter in the mail and a possible fine. You'll also leave yourself open to a nasty black mark on your personal credit rating.

As of 12 March 2014, loan and credit repayment details are one of five additional pieces of information that lenders

can pass on to credit bureaus as part of a new more comprehensive credit reporting regime. Similar to the country rating system, individuals will soon be slapped with a credit rating which financial institutions can use as a quick reference loan check along with other more comprehensive checks.

What Should You Do?

Be aware of ALL your cards and their limits, even those 'emergency cards'. It doesn't matter whether you have borrowed the full amount or not, it is automatically assumed that you already have. So keep an eye your card limits.

As opposed to the current system where only negative aspects of a person's credit history have been taken into account, under the new regulations you can be rewarded for your years of good behaviour. A few minor defaults

which in the past could prevent someone from obtaining a credit card can be outweighed by years of diligence in paying bills on time.

Now is a really great time to assess your credit file and implement a routine to stay on top of your personal finances. You can obtain one free copy of your credit file per year and an additional copy if your loan application is rejected.

Report Card

How to GET a top rating	How to LOSE a top rating
Set up automated direct debits to pay off all credit cards and loans. This will safeguard you against unforeseen circumstances such as holidays or hospitalisation.	Paying debts late. Any payments more than five days late will be recorded as a late payment.
Cancel all credit cards and credit lines that you're NOT using or need.	Paying your debts REALLY late. Debts larger than \$150 and remain outstanding after 60 days will be recorded as a default.
Make sure you pay something. Pay a smaller amount rather than default if making repayments become difficult.	Applying for credit cards and loans that you DON'T need.
Check that your credit file is accurate. Credit bureaus make mistakes – make sure you're not one of them.	Failing to organise easier payment plans with lenders when repayments become too difficult, will end in default.

Toward the Future

Although these changes are a massive step for credit bureaus, they want even more information. They are still lobbying to obtain further information on individuals. Credit balances, electricity and even phone bills are on your cards. With post-paid phone bills being among the first young people receive, now is a good time to teach your

kids about the importance of managing their finances and their reputation.

For more information on the new regulations, what it will mean for you and other ways you can take control of your credit history, visit www.creditsmart.org.au

What is Conveyancing?

If you are going through the property buying process for the first time, you may think that conveyancing is just another formality and an expense that complicates the purchasing process. In fact, a good Conveyancer simplifies the process for you, explains the (sometimes complicated) legal requirements of buying a property and most importantly, protects your legal interests.

'Conveyancing' is the term used for the legal and statutory processes required to effect the transfer of the title of ownership of real estate from one person to the other. The preparation, execution, verification and lodgement of the numerous legal documents required to actually make your new house yours, are all part of the conveyancing process. Because these processes can be detailed and time consuming, it is a good idea to choose a reliable Conveyancer or Conveyancing Solicitor to do the work for you. Although this is not a legal requirement, a professional Conveyancer will have the experience and specialised knowledge you need to navigate the specific regulations, laws and requirements unique to your local area.

What will a Conveyancer do for me?

A reliable Conveyancer will protect your interests during the transaction and make sure everything runs smoothly. In addition to ensuring your deposit is kept safe in a trust account, they will conduct searches and inquiries on the property on your behalf. They do this to discover if anything affects the property, such as proposals by government departments, illegal buildings, boundaries, outstanding rates or taxes, liens against the property and to discover any other issues you may need to be aware of.

If you appoint a Conveyancer early on in the purchasing process, they can guide you through the legal requirements, and commence the preparation of all the necessary documents required to facilitate the sale and final settlement.

What documentation is involved?

There are a lot of details to cover off during the process of transferring a property title.

In addition to the title searches and background research your Conveyancer will conduct on the property, they will

make sure the Contract of Sale is correct and that it lays out all the property details and conditions that have been agreed upon by you and the vendor.

In many states of Australia, the transaction will also require a Vendor's Statement. In this document, the vendor is required to disclose any details of the property which may affect the sale. This can include body corporate fees, special conditions, encumbrances, taxes and rates and anything else that may affect the price or your decision to purchase. Your Conveyancer will investigate this document and verify the legal aspects of each detail against their research to ensure the vendor has made full disclosure.

Another important part of the process is the Transfer of Land. It includes all the particulars of you and the vendor and is submitted to the relevant state revenue office in your area, where it will be stamped after the payment of stamp duty and then lodged in the Land Titles Office.

Please note that the laws, procedures and documents involved may vary depending on where the property is located. A good Conveyancer will explain the meaning and importance of each process to help you completely understand what's involved.

How do I find a reliable Conveyancer?

As we all know, the best way to find a reliable professional is to ask people you know. We will be able to give you a referral to a Conveyancer or Conveyancing Solicitor, but you should probably check out several and compare prices.

Here's some questions you should ask prospective Conveyancers:

- What type of property do you specialise in?
- What will it cost?
- On settlement day, what time frames can I expect?
- How will you communicate with me, and how often?

If you need to get started on locating a reliable Conveyancing professional, or you're on your way to your first home purchase, please give us a call.

Estate Planning

A lot of clients often ask us about recommending a solicitor for the establishment of a will, but Estate planning is not always straightforward.

All of us should begin to understand Estate planning in the context of our business, family, debtors and just what we desire in arranging for the management and transfer of assets, both during life and after death.

Traditionally, when people had minimal assets and fewer accounts with financial institutions, estate planning focused on the Will and the consequences of a person's death. Estate structure is now a lot more complex, and with blended families and superannuation in the mix, we need to take a broader view, including protecting and maximising net assets. So, estate planning is about dealing with the wealth preservation and transfer objectives of clients, whether that's during their life, following their death or in the life and times of their children, grandchildren and successors.

Estate assets are generally assets that can pass under a Will, whereas non-estate assets such as assets in a family trust don't pass under a Will, so we need to identify what are the right assets and what is the right way to pass them.

An Example

Betty held a superannuation account with Superfund Company. She completed a binding death benefit nomination identifying her partner, Barry, as beneficiary.

Betty also had a provision in her Will specifying that any proceeds from her superannuation fund were to be split equally between Gary and their two adult children, Jack and Jill.

Following Betty's unexpected death, Superfund Company paid her superannuation death benefit to Barry in accordance with her valid binding death benefit nomination.

Jack and Jill questioned why the payment was not split with them in accordance with Betty's Will.

While superannuation death benefits are non-estate assets, it is possible to have the proceeds from a superannuation account distributed as part of an estate

where the superannuation fund trustee pays the benefit to the deceased member's legal personal representative (their estate). This has the effect of making superannuation an estate asset once distributed by the fund.

Unless a valid binding nomination is put in place to this effect, the superannuation fund trustee will generally pay the death benefit to one or more of the member's eligible dependants directly. In this case, the superannuation fund trustee has acted correctly in paying the benefit in accordance with Betty's valid binding death benefit nomination.

While there is no recourse through the Will, Jack and Jill could make an application to the Superannuation Complaints Tribunal to review the payment.

Differences in estate planning laws between states and territories

Estate planning is primarily influenced by state-based law. Each Australian state and territory has its own Acts relating to Wills, property law and trust law. If you think of an estate as the total property of the client, at the top end, we also have banking, finance, corporations and family law, which are all federal. All will affect estate planning to a greater or lesser extent depending on what a client owns or controls, but the definition of what is the property of the client will depend on the property law of the state or territory in which the client is located.

How a trust operates is also dependent on the trust law of the state or territory in which a client is located, for example, South Australia is still the only state in Australia which has no fixed perpetuity period for trusts.

Probate, Wills and succession are also based on state and territory laws despite the establishment of a national succession law project in 1995 by the Attorney Generals' departments in each state and territory to standardise the laws. Despite the lack of a national succession law, Australia does have automatic recognition of Wills across state boundaries.

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Estate Planning (cont)

As well, there is the prospect of an international Will being introduced. It is possible that an Australian Will created in an international law format will be recognised in more countries other than just the jurisdictions that we inherited from having the Queen as our head of state.

There are also differences between the states and territories in relation to intestacy - the situation of a person dying without a Will. The variation in state and territory laws means that there is no uniform statutory formula outlining the order in which beneficiaries inherit. Rather, this varies from state to state.

For example

Joe dies, leaving his partner, Jenny. He has no surviving children, and also does not have a valid Will. Patrick's estate will be distributed according to the statutory formula of the relevant state or territory.

The laws in New South Wales, Victoria, Queensland, South Australia, Tasmania and the Australian Capital Territory provide that Jenny is entitled to Joe's entire estate. Under the laws in Western Australia and the Northern Territory, however, Jenny is only automatically entitled to Joe's entire estate if he had no surviving parents or siblings.

In conclusion

Good estate planning continues to involve transferring the right assets to the right person at the right time and cost effectively. While focus is often very much on the Will, and the associated process of disposing of assets after someone's death, the real key to effective and robust estate planning is to have the relevant discussions early on, when decisions can be made objectively, when emotion is not as much of a factor.

Well thought out strategies implemented prior to death will greatly benefit loved ones and business partners at a difficult time and will also guarantee that the wishes of the deceased are carried out according to plan.

The complexity of the legislation around estate planning, the fact that it is state and territory based, as well as the multitude of considerations around superannuation and blended families mean that it pays to get the right advice.



Richard Branson's Top 10 Tips for Success

by Alison Feeney-Hart

Richard Branson left school at the age of 16 and set up Student Magazine with one of his friends. He went on to start Virgin Records in the 1970s and is the founder of the Virgin Group. In the 1980s he formed Virgin Atlantic airline and the 1990s saw the arrival of Virgin Mobile and Virgin Trains.

He is one of the most successful businessmen in the UK and an icon of entrepreneurship. His latest project is Virgin Galactic, which he hopes will one day become a space tourism company.

Here are his Top Ten Tips for success:

1. Follow your dreams and just do it

Follow your dreams, get involved in life, in the things that interest you.

If you are going to create a business, make sure it is your hobby, your passion or something that you really enjoy. You will live a much better life that way. Don't just set out to do something for the sake of making money.

I think lots of people have lots of great ideas, but very few people actually go out and try to put them into practice. There are lots of people who think that somebody must have done that before, or you'll never raise the money or you shouldn't take a risk in life.

It's the people who say I'm just going to do it, that end up having a chance of having a much more exciting and rewarding life.

2. Make a positive difference and do some good

The first thing to do if you want to become an entrepreneur is basically to have an idea that is going to make a positive difference to other people's lives. A business is simply that. If you're running a business you are in a position where you can make a hell of a difference in this world.

I also think it's great for the staff of a company that they can feel good about a company that is actually getting out there and doing good.

3. Believe in your ideas and be the best

You definitely need to believe in your idea. There's really no point in doing something in life unless people feel really good about it and proud about it. You've got to have passion for it and you've got to be able to inspire other people to have a passion for it too.

If an idea is a good idea you should be able to pitch it in two or three sentences and two or three sentences fit very neatly on the back of an envelope.

There was no point creating a new airline unless it was going to be palpably better than every other airline in the world, you've got to make sure that every aspect of what you do is better than the competition.

4. Have fun and look after your team

I 100% believe that it's important to have fun and if you're not having fun anymore, it might be time to move on. You should have fun from the top down and create the kind of environment that's pleasant to work in.

Make sure that you've got the kinds of people running your companies who genuinely care about people, who look for the best in people and who praise and don't criticise. People are not that unlike flowers. If a flower is watered it flourishes and if a flower is not watered it dries up and dies and I think the same applies to people.

5. Don't give up

It's extremely important not to give up. There have been situations in my adventures, like crossing the pacific in a balloon, where the odds were stacked very heavily against us surviving.

Being an entrepreneur is not that dissimilar to being an adventurer. You have plenty of situations where your back is right up against a wall and you've just got to work day and night to make sure you overcome the difficulties a particular company finds itself in. Brush yourself down the next day and move on into something else.

I think I'm reasonably good at dealing with failure and not letting it get me down for more than an hour or two as long as I put everything I can into avoiding it.

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Richard Branson's Top 10 Tips for Success (cont)

6. Make lots of lists and keep setting yourself new challenges

I make copious lists because I think it's the little details that make for an exceptional company over an average company. Details are very important and I think it's important to keep setting yourself new challenges and targets.

I do believe that the first of the year is a good time to write down your goals for the year. Unless you actually organise yourself and write down the kinds of things you want to achieve, there's a danger that as time slips by, you don't achieve a lot.

7. Spend time with your family and learn to delegate

One of the early things you have to do as an entrepreneur is to learn the art of delegation. Find people who are better than you to run the companies on a day-to-day basis, freeing yourself up to think about the bigger picture and spend time with your family. That's very important, especially if you've got children, they are what's going to be left when you're gone.

I know I'm a good entrepreneur, but I'm not sure that I'd be a very good manager and there is a difference. My mind is always thinking ahead and wanting to create new things. I just think once I've set something up, it is better if someone else runs it. I can dive in and out and be a pain occasionally, but the day-to-day business is better for somebody else to do.

8. Try turning off the TV and get out there and do things

My mum brought us up very much to get out there and do things, don't watch other people do things, and don't watch television. I think that was a good way of bringing up kids.

With my own kids, we've spent quite a lot of time in the Caribbean and we never watch television there.

What I'm doing I see as so fascinating, so rewarding, so interesting that I don't ever really want to switch off too much because I find myself in such a wonderful, challenging position that I don't want to waste that position and there are just so many important challenges going on.

9. When people say bad things about you, just prove them wrong

There are people who hang onto the coat tails of successful people and try to sell a few books on the back of their name. It's unpleasant but you know that if you sue them or kick up a fuss, all it will do is publicise the book. So I've had to learn the art of ignoring people like that.

I think the best thing to do is just to prove them wrong in every single way. This particular book, (Branson: Behind the Mask by Tom Bower), says that our spaceship programme is a white elephant, later this year we will prove them wrong.

10. Do what you love and have a sofa in the kitchen

You only live one life, so I would do the thing that you are going to enjoy. When life boils down, this might sound like a little much coming from me, I do have my own little island in the Caribbean, but when we are on that island, we tend to just live in the kitchen.

The truth is, so long as you've got a kitchen which has space for a sofa, and a bedroom, and a partner that you love, you don't necessarily need the add-ons in life.

Then, if you're doing something that really interests you, it will result in a much more enjoyable life rather than just doing something for the sake of making money.

General Advice Warning

Information provided on this newsletter is general in nature only and does not constitute personal advice. The information has been prepared without taking into account your personal objectives or needs. Before acting on any information in this newsletter you should consider the appropriateness of the information having regard to your objectives and needs.