



PERRY URE news

June
2005

Specialising in:

Accounting

Taxation

Business &
Management Advice

Cash Flow
Budgeting & Control

Self Managed
Superannuation Fund
Compliance

Business
Development

Training

-PRACTICE NEWS-

Some of our clients will already be aware of recent staff changes to Perry Ure. We would like to welcome Kyle Carter, who takes the position of Client Advisor. Kyle will fill the position vacated by Anne Bates who has relocated with her family to Sydney. Anne worked with Perry Ure for six years and made a huge contribution to the workplace environment and to our clients. We would like to take this opportunity to thank Anne for all her hard work, and wish her well in her new endeavours further afield!

Kyle is a Chartered Accountant, with a Commerce degree from the University of Newcastle and has extensive experience in accounting, taxation, business services and insolvency administration. We are certain that he will be well suited to assist our clients in meeting their business needs.

Here at Perry Ure we are constantly aiming to improve efficiency wherever possible. There are helpful steps you can take to ensure we are equipped for efficient turnaround of your work.

- Provide a full set of records: we require complete information for the quarter, or the year, to be able to complete your work. Please provide complete sets of cheque books, bank statements, deposit books, and/or credit card statements, loan statements, finance contracts, distribution statements etc. If unsure of what is required, please contact us.
- When providing work on diskette, ensure you provide any password required, and indicate which version of MYOB/Quicken/Cashflow Manager is being used, to enable us to access your work.

Upon receipt of a full set of records by our business clients, we aim for a 21 day turnaround of your work.

-WELCOME-

Welcome to another issue of Perry Ure News. As the financial year draws to a close, we hope that the articles herein will be of use to our clients.

If you have any comments or questions regarding topics in our newsletter, or have any items you would like covered in future issues, please let us know. We would be happy to hear your views.

-CONTENTS-

Practice News.....	1
Budget Highlights.....	2
Calendar.....	2
Super Choices.....	3
Year End Tax Planning.....	4

-INBOX-

If you would prefer to receive your copy of Perry Ure News via e-mail in future, please advise us via email:
jnimmo@perryure.com.au

Perry Ure ... Your Partner in Business

-FEDERAL BUDGET - THE BOTTOM LINE-

Treasurer Peter Costello's 10th Federal Budget provided a number of initiatives described as being 'framed for the future'. These major initiatives included personal tax cuts, business tax reforms, welfare reforms, certain international tax changes and superannuation changes.

Personal tax cuts over the next four years mean that individual taxpayers are the big winners. From the 1st July 2005 the 17% marginal tax rate will fall to 15%. The 42% threshold will be raised from \$63,000 in July 2005 to \$70,000 in July 2006. While the top tax bracket of 47% will be raised from \$95,000 in July 2005 to \$125,000 in July 2006.

Business tax reforms included provisions for the systematic treatment of the so-called 'blackhole' expenditures. These legitimate business expenses that are not currently recognized under the tax system will have a threefold treatment.

Capital expenditures incurred by businesses that are carried on for a taxable purpose will have certain deductions permitted, e.g. formation costs. Certain pre-business expenditures incurred by existing businesses will have deductions permitted. Finally, a new provision of last resort will be introduced that allows for expenditures that currently do not have tax treatment, or are denied a deduction, elsewhere in the tax laws.

Welfare also received some reforms. The major initiative provides that welfare recipients, who are able to work part-time, are obliged to do so.

International tax changes included the exemption for temporary residents from foreign source income for four years; reforms to the capital gains tax treatment of non-residents; and abolition of the foreign loss and foreign tax credit quarantining rules.

Superannuation changes included the removal of the superannuation surcharge for all superannuation contributions made from 1st July 2005. Also a fund will be established to meet the Commonwealth's unfunded superannuation liabilities.

All these reforms are aimed at increasing Australia's productivity, sustaining economic performance, and increasing incentives to work and save. And that is the Bottom Line.

-STATE BUDGET - -LAND TAX CHANGES-

The highlight of the NSW State Governments Budget was the re-introduction of the land tax threshold. For the 2006 land tax year a \$330,000 threshold will apply to owners of liable land. There is no threshold for non-concessional companies and special trusts.

The land tax rate will be 1.7% (plus \$100) on the unimproved value of the land in excess of \$330,000. If your land tax liability is less than \$100, no land tax will be payable.

Exemptions and concessions: these remain unchanged. Your principal place of residence (your home) or land used for primary production (a farm) are exempt from land tax. The concession for non-income earning land will cease after this year though, and will be unavailable in 2006.

The land tax liability for 2006 is based on all liable land owned as at midnight on 31 December 2005. If you own vacant land, rural land, a holiday home, investment properties, company title units or residential/commercial units, you may be liable for land tax.

There have been no changes to the 2005 land tax requirements, all liabilities remain payable.

-CALENDAR - DATES TO REMEMBER-

21st June 2005	May 2005 Monthly Activity Statements due
30th June 2005	Superannuation contributions must be paid to qualify for tax deductions in 2005 year
14th July 2005	PAYG Payment Summaries must be issued to employees
28th July 2005	June Quarter Superannuation Contributions due
28th July 2005	June Quarter Activity Statements due
28th July 2005	Standard Choice Form to be provided to employees
21st Aug 2005	July 2005 Monthly Activity Statements due
21st Sept 2005	August 2005 Monthly Activity Statements due

Note: All June Business Activity Statements lodged by Perry Ure qualify for a two week extension.

-SUPER CHOICES-

From **1 July 2005** the Australian Government's **Choice of Superannuation Fund** initiative will provide eligible employees with the right to choose the super fund into which their superannuation guarantee contributions will be paid.

Eligible employees are predominately any employee who receives super contributions from their employer, which is not paid under a state industrial award or agreement, or under an Australian Workplace Agreement or Certified Agreement.

Employees do not have to choose a fund if they don't want to, they can allow their employer to pay their contributions into a fund on their behalf.

From an individuals perspective the new laws encourage people to get more interested in their super. As super is an investment for retirement, which also enjoys taxation concessions, it is important to compare funds for their features, fees, investment strategies and insurance benefits. It is a good opportunity to consolidate super accounts and update personal details with addresses and how you would like your death benefits paid.

It is a good idea to keep as few super accounts as possible to minimise fees, but be wary of any super scams which may inevitably arise come 1st July. This may also be a good time to consider the Australian Government's Super Co-Contribution, if you are eligible, to boost your retirement investment.

Employers must offer choice of Superannuation Fund to eligible employees before 29 July 2005.

The Government has issued a guide for employers, which explains the requirements in order to meet their choice of superannuation fund obligations. If you have not received this guide, visit www.superchoice.gov.au for more information.

There are basically 3 steps employers need to take:

Step 1: Identify eligible employees

You may not need to offer choice of Super Funds to employees if they are not eligible.

Step 2: Provide a STANDARD CHOICE FORM to each eligible employee

This form basically will contain details of the employer fund to which super guarantee contributions will be paid if employees do not choose a fund. Employees will indicate on this form whether they will choose their own fund or not, and provide all fund details if so. New employees starting after 1st July 2005 will need to complete this form within 28 days of their start date.

Step 3: Act on employees choice

If an employee chooses a fund, you have two months to get ready to make contributions to that fund. After this, any super guarantee contributions you make for that employee must be to their chosen fund.

Penalties known as the "Choice Shortfall" may be imposed for failing to meet choice of Super Fund obligations i.e. not paying contributions into employees nominated account or not providing employees a Standard Choice form in the required time frame.

The choice shortfall is about 25% of the contributions that are paid to a fund, but limited to \$500 for a notice period per employee.

Note: An employee can have only one chosen fund per employer. An employer does not have to accept an employees' request to choose a new fund if they have accepted such a request within the past 12 months.

For more information on Super choices, a copy of the Government's Super Choices booklet is available at www.superchoice.gov.au, which provides a more detailed analysis of superannuation in general, super funds and other investment considerations.

-CONTRIBUTION DEADLINES-

As an employer, you need to make superannuation guarantee contributions by the due dates for each quarter, these dates are:

Quarter Date	Due Date
1 July - 30 Sept	28 Oct
1 Oct - 31 Dec	28 Jan
1 Jan - 31 Mar	28 Apr
1 Apr - 30 Jun	28 Jul

June quarter contributions need to be made by 30 June to be tax deductible.

-YEAR-END TAX PLANNING-

With 30 June fast approaching it is the ideal time to consider ways of maximising returns by minimising taxation obligations. With this in mind we provide the following year end tax tips for both business and individual taxpayers.

Defer Income & Accelerate Deductions

One of the most fundamental rules of tax planning is the timing rule that can be advantageously applied to income & expenses, that is, considering ways of legitimately deferring the receipt of income and bringing forward deductible expenditure.

You should consider whether it is beneficial and possible to defer income by considering the timing of contracts, or when sales are actually made. For example, you may choose to defer any capital gains until the new financial year. Conversely, there may be benefits in crystallising some of your capital losses now to offset against capital gains made during the year.

Consider bringing forward expenditure on deductible items that you were going to incur in the near future anyway to before 30 June -

but watch out for the prepayment rules, outlined briefly below.

Prepayments

Most business taxpayers must pro-rata the deduction for prepaid expenses over the period to which the expenditure relates. However, individual non-business and Simplified Tax System taxpayers can repay some expenses up to 12 months in advance.

Non-Commercial Losses

These rules are designed to restrict the extent to which individuals can offset losses from non-commercial business activities against income from other sources. To qualify a business must be deemed commercial, in that it must satisfy at least one of four tests relating to assessable income, real property, other assets, or profits respectively. Otherwise, losses will be carried forward to be potentially offset against future year profits.

Bad Debts

If claiming bad debts, they must be written off before the end of the financial year. To do this the debt must generally have been brought to account as assessable income and you must have given up all hope, and more importantly, all action for recovery.

Superannuation Contributions

Employers must ensure they have made sufficient superannuation contributions (9%) for each employee, and those contributions must have been paid by **30 June** to be tax deductible in this financial year. Tax deductions are limited to contributions for employees based on aged-based limits. Even if you miss the 30 June deadline for deductibility, you must make the last quarterly payment by 28 July 2005 to avoid penalties.

Self-employed taxpayers may make tax deductible contributions on their own behalf. Contributions above the fully deductible amount of \$5,000 are 75% deductible to the age-based limit.

Contributions can also be made for low-income or non-working spouses. A rebate of 18% is allowed for post-tax contributions up to \$3,000, providing a maximum rebate of \$540.

The Government co-contribution scheme provides matching contributions, for personal superannuation contributions made by certain low-income employees. The maximum Government co-contribution amount for the year ended 30 June 2005 is \$1,500 for those eligible employees earning less than \$28,000 per annum.

Review Asset Register

A review of the business's depreciation schedule or asset register may reveal assets, which have no real value, are obsolete or have been scrapped. These assets can be written off, and an immediate deduction claimed for the carrying amount.

Perry Ure Pty Ltd
Certified Practising Accountants
ACN 072 222 952
2nd Floor, 6 Bolton Street
PO Box 586
Newcastle NSW 2300
Phone: 02 4926 4522
Fax: 02 4929 1574
Email: mail@perryure.com.au