



Welcome to the 2nd issue of

13 July 2010

Financial *focus*



Henry Tax Report and Government's response released
 On Sunday, 2 May 2010, 4 months and 9 days after the Government received the final report of the Australia's Future Tax System review team (the Henry Report, as it has become known), the Government publicly released the report and its initial response. However, although the Henry Report contains sweeping recommendations to reform Australia's tax system, the Government has initially focused on the resources sector and superannuation. The company tax rate is also to be reduced and there are some benefits for small business.

Main reforms highlights are:

- a Resource Super Profits Tax that will tax non-renewable resource projects on their profits rather than just their production (taxpayers will be eligible for a credit for royalties paid to State and Territory Governments) this will apply from 1 July 2012;
- a refundable tax offset (the Resource Exploration Rebate) at the company level, set at the prevailing company tax rate, for exploration expenditure in Australia incurred on or after 1 July 2011;
- reduction in company tax rate to 28% - small businesses will benefit from 2012-13, but it will be phased in for other companies (29% for 2013-14 and 28% from 2014-15);
- small businesses will be able to immediately write-off assets valued at under \$5,000 (currently \$1,000) and all other assets (except buildings) will be written off in a single depreciation pool at a rate of 30% - this will apply from 1 July 2012;
- super contributions cap concession: workers aged 50 and over with super balances below \$500,000 will be able to make up to \$50,000 in annual, concessional superannuation contributions - to apply from 1 July 2012;
- Superannuation Guarantee age limit will be increased from 70 to 75 from 1 July 2013;
- Superannuation Guarantee rate will rise to 12% by 2019-20 (to be phased in); and
- Government will provide a \$500 annual superannuation contribution to individuals with an adjusted taxable income up to \$37,000.

The "Edge"
Business Seminar
- gaining the unfair
advantage &
Increased profits

27th of July
3pm—6pm

Cost: Complimentary
Venue: NG House,
39 Melbourne Street,
South Bank
(07) 3844 9333



The end of financial year, so what now?

See the big picture - what is your business position at the moment? What are the opportunities that lie ahead and what stands in your way? A good way to identify this is by doing a SWOT analysis (Strengths, Weaknesses, Opportunities and threats)

Planning - create a financial growth strategy for the year ahead, this means setting your goals, budgets and forecasting

Analyse the numbers / data - Look at your strategies in place, for example it may be a more effective options to cut non productive expenses and put more into the areas like your marketing, sales and retention strategies.

Debt - clear or reduce your debt

Stock - remove old or excess stock

Reduce costs - in the areas where you are over spending

5 tips to minimise your accounting costs.

1. provide all the information in the first instance
2. summarise and reconcile as much as possible
3. explain any unusual events at the initial meeting with the accountant
4. discuss with us areas that can be improved or work that you can do to present the job better
5. provide missing information quickly

BUSINESSES

Deferral of Income

If cash flow and business reality allows, defer the derivation or receipt of income until the next financial year. If on a cash basis, consider trying to defer the receipt of cash. If on an accruals basis, defer the derivation of income by holding back invoices if possible. Conversely, if you have losses, you may wish to bring forward the derivation of income if possible.

Income Received in Advance

Consider whether income received is actually derived. Income received in advance may not be derived until the services are provided. Conversely income such as interest, royalties, rent and dividends are usually derived upon receipt.

Timing of Expenses

Expenses are only deductible when incurred, ie there must be a presently existing liability to pay the expense. Many accruals and provisions are not deductible as they represent an estimate of expenses and do not relate to a presently existing liability.

Trading Stock

Prepare for a stock take on 30 June. Identify any obsolete or old stock and scrap it or write it down to its correct market value. Individual items of trading stock can be valued at cost, market value, or replacement value for tax purposes. The tax value may differ to the accounting value.

Depreciation

Assets purchased during the year can be depreciated using the diminishing value method at 200% of the prime cost rate. Consider whether to allocate assets costing less than \$1,000 to a low value pool to get a write-off of up to 37 ½%



Important notice:

As of 1 July 2010, ASIC Fees will rise by \$4, from \$212.00 to \$218.00.

Therefore this cost will be added to the 2010 Upfront Company Annual Reviews.

Also a reminder that Company Annual Reviews were due on the 30 of June 2010. If you have not done so please note late charges may apply.



Due to high demand

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Investment Allowance: small business and general business tax break

Business entities are entitled to an additional tax deductions of 50%, 30% or 10 % depending to the size of your entities of the cost of eligible tangible depreciating assets between 13 December 2008 and 31 December 2009 and first uses the asset, or installs it ready for use on or before 31 December 2010.

Company Loans – Division 7A

Any payments, loans or debts forgiven from private companies to shareholders and their associates could be deemed to be an unfranked dividend. The deemed dividend rules in Division 7A can also include loans from trusts to shareholders where the company is presently entitled to income from the trust. Ensure that such loans are either repaid or documented and made subject to minimum interest and repayment terms before the lodgement day of the company/trust’s tax return.

Trust Distributions

Trustees of discretionary trusts need to consider which beneficiaries are presently entitled to income or capital of the trust on or before 30 June.

A recent High Court case, ‘Bamford’s case’ has confirmed that beneficiaries are taxed on a proportionate basis where taxable income differs to trust income. It also confirmed that trust deeds can define what is included in trust income.

We have recommended all of our trust clients have their trust deeds reviewed to ensure they are up to date and retain sufficient flexibility to distribute in an efficient manner.

SUPERANNUATION FUND

Ensure that superannuation contributions have been paid to the superannuation fund by 30 June to ensure a deduction this year. Remember that employee’s superannuation entitlements must be paid to the superannuation fund by 28th day of the month following each quarter to avoid Superannuation Guarantee Charge (SGC) implications (including penalties and loss of deduction).

The maximum concessional superannuation 2011 Contribution for individuals is \$25,000, or \$50,000 for people aged 50 or more at 30 June. This is a per person cap, not a per employer cap.

INDIVIDUALS

Personal Resident Tax Rates

2010 year

Taxable Income \$	Tax Payable \$
0 - 6,000	nil
6,001 - 35,000	nil + 15% excess over 6,000
35,001 - 80,000	4,350 + 30% excess over 35,000
80,001 - 180,000	17,850 + 38% excess over 80,000
180,001 +	55,850 + 45% excess over 180,000

2010/11 Year

Taxable Income \$	Tax Payable \$
0 - 6,000	nil
6,001 - 37,000	nil + 15% excess over 6,000
37,001 - 80,000	4,650 + 30% excess over 37,000
80,001 - 180,000	17,550 + 37% excess over 80,000
180,001 +	54,550 + 45% excess over 180,000

The low income rebate will be increased from \$1,350 in the 2009/10 year to \$1,500 in the 2010/11 year

Have you done your tax planning?

Book in now!

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Why do some businesses flourish and others don't?

Learn specific tools that will empower you to achieve the things you’re dreaming of for 2010 so that you and your business are 100% set for success.

Do you want to increase your revenue?

Improve your profits?

Improve your lifestyle?

Our hard hitting 3 hour event on Tuesday the 27th of July will take you through some of the best kept secrets for success.

Seating is limited so book early.

Cost: complimentary



Employee Share Schemes

The employee share scheme rules have changed from 1 July 2009. Employees are no longer allowed to elect that they be taxed up front. Instead, they are either taxed up front, or taxed at a deferred taxing point depending on how the scheme is structured. Employers are now required to provide employees with a statement advising of values of shares issued.

Miscellaneous Rebates

Consider whether you may be able to access various rebates such as the Education Tax Offset (for providing education supplies & equipment for children); Medical Expenses Rebate (for total medical expenses above \$1,500 pa) etc.
General Anti-



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