

## Welcome

Now is the time to be looking at your tax planning and seeing what needs to be done to ensure you pay the least amount of tax necessary. Have a look at our article for some tips, but please let me know if you would like us to review your situation in more detail.

Another tax saving strategy to look at around this time of year is Transition to Retirement Income streams. These are a particular type of pension that can be paid to those over 55 who are still working full-time. This strategy saves you tax whilst increasing your superannuation balance. Please contact me for more information.

A few weeks ago now, **GGA joined Facebook**, and we have a fantastic competition starting to kick it off, so check the details out below. Our page will keep you up-to-date with relevant investment news, ATO new, and GGA staff news. Please feel free to make suggestions or comments.

We have had a few clients lately who are being assessed on interest income in the wrong entity. This happens when the bank has the wrong tax file number associated with a bank account. The Bank then reports the interest income to the ATO, for the tax file number they have on file, and if that interest has not been included the ATO will amend the tax return to include it. In some cases, people have given their own tax file number to the bank when opening a new account for their super fund (this is the most common scenario). It is important to ensure that the bank has the correct information recorded for each of your entities. This can be done with a quick call or email to your bank to confirm that all your accounts have the correct TFN listed. This will also ensure that the bank are not withholding tax from your interest unnecessarily.

The ATO have removed the entitlement to low income tax offsets from minors. What this means is that from 2012 onwards, minors can only receive \$446 in passive income, such as trust distributions, interest & dividends, before they pay tax at the top marginal rate of 46.5%. This can have a significant affect on how we can distribute trust income, but there are still many benefits in using your discretionary trust. Also remember that these rates change all the time, it was only a few years ago that we could only distribute \$662 so this is constantly changing.

*Bec Mackie*

Managing Partner

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## GGA Facebook Competition!

“LIKE” us on Facebook and you will be eligible for our monthly prize!

We will be offering monthly prizes of fee discounts and other investment related prizes. Encourage your friends and family to like us as well and you will all be in the running!

To enter all you have to do is click on the link below to “LIKE” us today!!



The prize for May will be a \$50 discount on your accounting fees.

\* valid for 12 months, winner will be posted on facebook and contacted by facebook on Friday 1 June 2012

## Recent Seminar a Great Success!

We held our second “Economy & Investment” seminar in conjunction with Paris Financial Services during March. The seminar was once again a great success with many of our clients attending to hear BT’s Chief Economist, Dr Chris Caton’s global outlook and future forecasts. David McMillan from Domain Property Advocates presented an insightful and realistic update of the Melbourne housing market.

Thank you once again to all those clients who attended, we hope you found the evening interesting and informative.



## Tax Deductible Insurances within your Superannuation

### Tax Effective Insurance in and out of Superannuation

Insurance relating to the health or life of a member of a Superannuation fund can, in most instances, be held by that Superannuation fund. The reasons why this might be preferable will depend on the individual circumstances – however in many cases the reasons include:

- Tax deductions available within Superannuation make the insurance premiums less expensive.
- The cash flow related to the insurance premiums for the member are paid for by the Superannuation Fund and therefore are often more readily affordable for the member.

The types of insurance that can be held within a Superannuation fund include the following:

- Life Cover (paid out on the death of the member).
- Total and Permanent Disability.
- Trauma Cover (although this may not allow a pay-out to the member directly).
- Income Protection /Salary Continuance Cover.

The two types of insurance we are looking at in more detail are Income Protection and Trauma Cover. These are two insurances which can be held within your Superannuation fund, however in many circumstances would be better held outside your Superannuation fund.

### Income Protection

Income Protection insurance premiums are tax deductible to both individual taxpayers and your Superannuation fund. However, while income protection insurance premiums would be deductible to a Superannuation fund at the rate of 15% (fund tax rate) the tax advantages would (in most

instances) be more substantial if the policy were owned outside Superannuation – deductible at personal marginal tax rates.

### Trauma Cover

A SMSF can purchase a Trauma (heart attack/stroke/cancer etc) insurance policy in respect of a member provided any benefits payable under the policy are required to be paid to a trustee of the SMSF. This benefit from the Trauma policy proceeds must become part of the assets of the SMSF at least until such time as the relevant member retires.

A payout under a Trauma insurance policy is normally made regardless of the insured person's age, working status, or whether the trauma causes permanent disability. If the receipt of the benefit by the SMSF trustee under the policy does not coincide with a member condition of release, then the proceeds cannot be paid immediately to the member by the SMSF trustee and instead will need to be retained in the fund. For this reason it would be best to take a Trauma policy in your own name. Many big Superannuation funds will have some trauma built in so this can easily be reviewed and the trauma cover restructured into your own name.

There are many factors to consider when reviewing your insurance especially from financial and practical perspectives. To find out more about insurances and/or to have your insurance reviewed speak to Darren Foster of Paris Financial Services on 9890 2316 or 0488 332 776.



*Darren Foster is an Authorised Representative of Capstone Financial Planning Pty Ltd – AFSL 223135.*

## Taxation Concessions on Superannuation Contributions



Employers making contributions on behalf of eligible employees (including salary sacrifice and superannuation guarantee contributions) as well as eligible individuals making personal contributions are able to claim 100% of these contributions as a tax deduction. Eligible individuals are those who receive less than 10% of their assessable income, reportable fringe benefits and reportable employer superannuation contributions from eligible employment.

Whilst unlimited deductions can be claimed by the contributor(s), there is a limit on the amount of deductible contributions an individual can have made on their behalf.

This is referred to as the concessional contributions cap and contributions in excess of this cap are effectively taxed at 46.5%. In 2011/12 the cap is \$25,000 with a \$50,000 cap for those aged 50 or over at any time in the financial year.

Contributions paid to a complying superannuation fund on behalf of a low income earning spouse may qualify the contributing spouse for a tax offset of up to \$540 (18% of \$3,000) per annum.

Contributions on which no deduction is claimed and which are paid to a complying superannuation fund by a lower income earner may qualify for the Government superannuation co-contribution of up to \$1,000 per annum. Please talk to us and see whether you qualify.

## Tax Planning

From April through to May every year we recommend that you:

1. Identify the likely tax payable as things stand now; and
2. Consider how to reduce that tax through simple and effective strategies.

Your tax planning strategies may include:

- Contributing extra funds into superannuation. (Keeping in mind the \$25,000 or \$50,000 cap)
- Stocking up on consumable items that you will use in your business over the first couple of months of the new financial year. Common items include stationary and postage stamps and other consumables.
- Crystallising capital losses to offset any capital gains already triggered during the year.
- Reviewing your personal spending over the year to see if there is anything that could be classified as a business cost that you have allocated to drawings or private spending.
- Reviewing the "structure" under which you own your assets or operate your businesses to determine if you have the most tax effective set-up.
- Advertising or promoting your business through various means (eg having flyers or business cards printed). This will reduce your profit before the end of the year but perhaps increase your income in the new financial year.
- Bring expenses forward into the 2012 financial year that you would normally pay early in the next financial year anyway. Common examples include insurance and replacing low cost assets (items under \$1,000 each)
- Maintaining a logbook for your car (if not owned by your business) for at least a 3 month period. This may allow you to use one of the other methods of claiming a vehicle and obtain higher tax deductions in doing so.
- Get all of your medical bills sorted to see if you are over the threshold for a tax benefit. If you have spent over \$2,000 on medical costs, or even quite close, then making that trip to the dentist; refilling those prescriptions; or buying those glasses that you have put off until now will improve the quality of your health and save some tax at the same time.
- Consider donating to charities as a way of contributing to the community whilst saving you a little tax.
- Prepaying interest on one or more of your rental properties. In doing this, you bring forward deductions into the 2012 financial year. There are two immediate advantages in that: a dollar saved now is worth more than a future dollar; and, claiming the deduction in a period with higher personal tax rates will produce a greater tax saving. However, be aware that this will mean you need to keep pre-paying in future or forego a deduction.
- Undertaking a maintenance program on the assets of your business and/or other assets. By doing this on a rental property, for example, you increase its value and can use this to attract higher rents and/or higher valuations to enable you to invest in more real estate. By maintaining the business assets, you will (hopefully) have less downtime in the busier seasons.

Most importantly though, by communicating with us you have more chance of paying less tax than you would if you leave matters until after the end of the financial year when you do your tax return.

Should you wish to discuss your tax planning needs in more detail please call the office and speak with Bec.

## Personal Property Security Reforms

The new Personal Property Securities Register began the end of January 2012. Businesses are being advised to become as familiar as possible with the changes to avoid missing out on having their interests in securities properly registered.

Experts have warned SME's that any business supplying goods should be aware that the new register replaces several state-based registers.

A personal property security is when a secured party takes an interest in personal property as security for a loan or other obligation, or enters into a transaction that involves the supply of secured finance. Some of these examples included:

- A person borrowing money from a bank and offering the bank collateral or security for the loan – the bank's interest over the collateral is personal property security.
- Retention of title clauses for the sale of goods ('Romalpa' clause).

Personal property is any form of property other than land, buildings or fixtures, which form part of the land. It can include tangible assets such as cars, art, machinery and boats, as well as intangible assets such as intellectual property and contingent rights and financial assets such as shares.

The Personal Property Security (PPS) reform brings the different Commonwealth, State and Territory laws and



*Personal Property Security Reforms continued from page 3.....*

registers regarding security interests in personal property under one national system. PPS reform introduces the Personal Property Security Act 2009 and a single online PPS register. The model is based on the same models currently being used in Canada and New Zealand.

Those that register will be treated as a secured creditor, as opposed to an unsecured creditor, if a debtor falls into insolvency. The PPS register will allow lenders and businesses to register their security interest. Secured parties, buyers and other interested parties can search the PPS register to find out if a security is registered over the personal property.

As a result of the PPS reform, a number of existing Commonwealth, State and Territory personal security registers will close. Existing transactions involving mortgages and charges which have been registered with the Australian Securities and Investments Commission (ASIC), will be migrated automatically across to the new PPS Register. Security interests which are currently registered on those registers will generally be migrated to the national register.

Businesses and individuals will need to:

- Review their business arrangements between group entities;

- Update their terms of supply;
- Review their financing arrangements and contracts;
- Identify any transactions which need to be registered;
- Update their procedures for making new transactions;
- Ensure that registered security interests do not exceed expectations;
- Determine the assets that will be affected by the new laws;
- Update their existing arrangements, not currently considered to be security interest, and ensure that they are registered.

Businesses and individuals with ownership of an affected security interest, and those that use retention of title arrangements in their business operations, should seek professional advice now.

Failing to understand and allow for these new laws may result in a loss of assets.

It is advisable that you confirm that all your interests have been registered. Follow this link to access the Personal Properties Securities Register <http://www.ppsr.gov.au/Pages/pps.asp>



## GGA Client Q & A

Over the course of the year we get asked hundreds of questions by you, our clients. So, we thought it would be a great idea to have a regular GGA Client Q&A section in our newsletter. In every edition we will list some of the most common and/or interesting questions and answers that you are asking us.

**Q. I have been receiving a car allowance for the first time this year. I don't think I will have spent all that money on my car, so what happens in my tax return?**

**A.** If your car expenses are less than your allowance then you will be taxed on the difference.

Depending on how your employer treats your allowance they may have taken out enough tax to cover this, but they may not have. Just remember that your allowance is taxable income, so any amount not spent on tax deductible items will be taxed at your marginal rate.

**Q. I have to wear black pants to work and have been receiving conflicting information as to whether or not I can claim them as uniform, can you please help?**

**A.** Unfortunately, uniform only covers items with logos, or that are occupation specific. This means that although professionals are expected to wear suits and waiting staff must wear white shirts and black pants, unless they have the employers logo on them, they are not deductible, and nor is their laundry or dry cleaning.

**Q. I'm thinking about putting my investment property on the market, is there anything I should be aware of. Particularly in the lead up to the end of the financial year?**

**A.** The main thing we find clients don't realise, is that capital gains are calculated from contract date to contract date (NOT settlement date), so if the contract is signed on June 29 2012, the capital gain falls in the 2012 financial year, even if the property doesn't settle until September 2012, or the 2013 financial year. Another point to note is that the capital gain is the difference between the purchase price + costs and the sale price – the amount you owe on your loan does not come into the tax calculations at all.



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