

Welcome

Hello!

On Wednesday 18 July we hosted our first "Property Tax Basics Workshop" at the Amora Riverwalk Hotel in Richmond. The night was a fantastic success with presentations from Pat Mannix, Theo Mavratzakis (who had us all in stitches), Nicole Campbell, Darren Foster and Elizabeth Jackson. We discussed negative gearing, the benefits of depreciation, how to structure your loans, the importance of insurance and the ins-and-outs of the governments National Rental Affordability Scheme.

As the night was so well received we are looking into hosting more workshops in the future, with advanced and specialised topics. If you have any suggestions please let us know.



As you may now have seen, we have recently re-designed our website. We are rapt with the new look and think it reflects our continued growth and market leadership in the world of accounting for property investors. It also showcases our knowledge in business services, structuring and self managed super funds. There is lots of great information on the website and we hope you find it helpful.

We are still running our monthly Facebook competition to continue to increase our social media presence. For the month of August we are offering a twelve month subscription to API so don't forget to jump on and "LIKE" our page to be in the running!

The winner of our Facebook Competition for July is Rowan Waymouth - congratulations!

It's also about time we introduced Sarah! Sarah has come across to GGA from one of the Paris Groups other practices. She has a strong background in public practice and will be focusing on individual income tax returns for investors and sole traders. Sarah will also be taking appointments to do on the spot returns. Please make her feel welcome!

As you will see on the next page, where we go into more detail, I have decided I need to scale back my working hours in order to maintain my sanity and look after my little boys. I am really excited about the people we have coming in to GGA and I look forward to all that they have to offer both to you the clients, and our practice.

Bec Mackie

Managing Partner

Inside this issue:

Welcome	1
Estate Planning	2
Offset Accounts for Investment Loans	2-3
Staff Changes at GGA	3
Non-Residents with Australian Property	3
Is your Contracted Bookkeeper a BAS Registered Agent	4
GGA Client Q&A	4

GGA Facebook Competition for August

like us on



"**LIKE US**" on Facebook and you will be eligible for our monthly prize. Encourage your friends and family to like us as well, and you will all be in the running.

The prize for the month of **AUGUST** will be a **12 Month Subscription to Australian Property Investor Magazine (API) !!**



Estate Planning

Estate Planning is more than just writing out a Will. It is a comprehensive plan to setup the most tax effective and asset protective distribution of your assets to the next generation of your family. This involves Tax Planning, Financial Planning and Legal Planning combining together to bring this important plan to fruition.



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

Your will is a part of estate planning but it only deals with your personal estate assets and this for many of us will only represent a minority of our financial wealth. Much of our wealth will be held in family trusts and even more may be held in superannuation. Assets within these financial structures **WILL NOT** be covered by your will.

In putting this plan together, your trusted Tax Advisor will be a vitally important member of the team that compiles your estate plan. Death Duties were a specifically named tax that existed years ago in Australia but do not exist today. However, be careful, the taxman is still extracting an enormous amount of tax from deceased estates via Capital Gains Tax on the passing of assets to your family.

Depending on who your assets are distributed to there can be up to 31.5% tax on the passing of your assets. Therefore it is wise to take the time to devise a plan so that a large amount of your wealth stays in your family rather than collected by the taxman.

Testamentary Trusts should be discussed in your estate planning as this is a unique opportunity, only available in an estate plan, to minimise tax for your family in the future.

Protecting all of your assets from personal bankruptcy and bankruptcy of future family generations is vitally important in an estate plan. Structures need to be correct to give effect to this and so that your will cannot be contested by an opportunistic beneficiary.

Finally, all of your financial planning throughout your life “should be properly protected with Risk Insurance”. Life, Permanent Disability and Trauma Insurance are the bedrock of an estate plan and should be in place from a young age.



Call us today, to begin your estate plan and see how a team of Accountant, Financial Advisor and Lawyer, working closely together, can set this in place.

Offset Accounts for Investment Loans

Ordinarily, a home loan consists of one loan account whose balance decreases as you make repayments and increases as the bank charges interest. If you make any extra repayments the bank usually allows you to redraw these back.

Most of the time that works just fine – but what if your circumstances change, say you decide to move out of your home? Or rent it out? Or need the money for something else?

Don't make additional repayments directly into your loan, if the mortgage is just an ordinary home loan you could be really disadvantaged from a tax perspective. The tax deductible interest you could claim would be limited to the interest on the loan balance at that time.

As an example: imagine that you had been diligently paying off your original \$500,000 home loan for years and it now has a balance of \$100,000.

One day you decide to buy an apartment to live in, redrawing \$200,000 for the deposit and renting out your old place. Your new loan would be \$300,000 but the deductible investment loan interest in this case would be limited to the interest on the previous \$100,000 loan balance.

This is not going to give you the best result from a tax perspective.

A home loan with an offset account is a better solution. This consists of one loan account and a linked offset account. The loan account works exactly like to the loan above, but the offset account is special. It's an extra bank account linked to the loan where you can park the excess repayments you make.



The offset account earns no interest, instead the bank will take the balance into account when calculating your loan interest. So if you have a \$500,000 loan and \$200,000 in the offset account, the bank will only calculate interest on \$300,000.

While you are living in the home there is really no difference between the ordinary loan and the loan with an offset account. However, if you decide to move out of your home and rent it out there is a huge difference for tax purposes.

Imagine again that you had been paying off your \$500,000 loan for years, but this time all extra repayments were put

into the offset account. So the loan is now \$300,000 with an offset account balance of \$200,000 which means that the net debt is \$100,000.

You redraw the whole \$200,000 for the deposit on your new place and rent out your old place. Your loan would stay at \$300,000 and the deductible loan interest will be based on the net debt in your loan account of \$300,000.

This will give you a much better tax result. It also takes into account the possibility of future changes in your life and allows greater flexibility.

Staff changes at GGA

This time the news is about Bec, but don't worry she's not leaving! After struggling for the past twelve months with being a single parent of two small boys, as well as being the full-time Managing Partner at GGA, Bec has decided she needs to slow down a bit and scale back to being a part time Associate.

So, Pat and Bec have spent some time putting together the best team to take us forward, keeping up the high standards that you are used to and managing the growth of GGA. In addition, we want to be more active in getting our knowledge out there so more and more people can benefit from our services.

As a result, we have decided to increase the management expertise of the practice to cover all the day to day queries that you have regarding your financial situation. This will allow Bec to take on a smaller role in GGA and Pat to continue to guide the strategic direction of the practice as well as his favoured area of Superannuation and borrowing in Super.

Andrew Swain has a Masters degree in Commerce, and is coming in to take control of the day-to-day running and management of GGA. He has a strong background, having been in the finance industry over the last 17 years and will add considerable depth to our team. Andrew will be the person to ensure the office is running smoothly, jobs are well managed, and will be also advising clients on their overall financial situation.

Angela McLean is a CPA, and she comes to us with over ten years experience in public practice. Angela will be the person to talk to if you need tax advice, wish to discuss structures or general accounting advice. Angela will also be taking on many of the face-to-face appointments that you would previously have had with me.

Navin has been with us for 12 months and has recently completed his CPA. He will be taking on more responsibility training our team and directly answering your queries in tax, accounting and superannuation.

Bec will still be here, but only working two days a week. Andrew and Angela will both commence with us in a couple of weeks and will gradually assume their roles as part of the full time management team with Pat. All of your key information will be handed over from Bec, so you can be assured our team will know **your** individual situation. So, while Bec is at home making mud pies and building cubbies, our team will ensure GGA continues to offer the same fantastic service that we always have and we value your continued support.

If you have any queries or questions about what this means for you personally then please call the office on 03 8813 0162 and Bec or one of the team will be happy to speak with you.

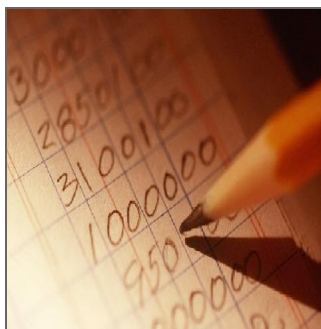
Non-Residents with Australian Property



In the May 2012 budget the government announced that they will be removing the 50% CGT discount for non-residents with capital gains accrued after 7.30pm (AEST) on 8 May 2012. The CGT discount will remain available for capital gains accrued prior to this time.

This means that all your assets need to be valued as at 8 May 2012 to ensure you claim the full discount until that time. For shares and managed funds this will be relatively easy, but for property this means that you should have a valuation prepared at that time to ensure you do not pay capital gains tax on the full gain for the whole ownership period. Either a real estate agent or a registered valuer can help you determine the value of your property as at 8 May 2012.

Is Your Contracted Bookkeeper a BAS Registered Agent?



Last month, we received a phone call from the Tax Practitioners Board, asking if we supervised the bookkeeper preparing the BAS for a client company – we do not.

bookkeeper and the company no fines were issued and in this case they have allowed ‘back registration’.

This has highlighted the need for businesses who employ contract bookkeepers to prepare their company BAS statements to ensure they are a Registered Bas Agent and have Professional Indemnity Insurance. Penalties are steep and the disruption and/or additional cost to your business could be very damaging.

The Tax Practitioners Board investigated this bookkeeper and the work that had been performed for the company. As a result, it was determined that the contracted bookkeeper was not a Registered Bas Agent and therefore in breach of legislation. Fortunately for both the

Bookkeepers are a key component in helping our clients receive timely figures and their skills and accuracy makes our life easier as well, but just make sure they comply with this changed law.



GGA Client Q & A

You have questions...we have **answers!**

Over the course of the year we get asked hundreds of questions by you, our clients. We thought it would be a great idea to have a regular GGA Client Q&A section in our newsletter. If you have a question, let us know!

Q. Can you backdate a depreciation schedule?

A. Yes. When you have a depreciation schedule prepared it is based on the date the property was first rented out, therefore it can be backdated. We can go back and amend up to two years of returns to include any missed depreciation deductions.

Q. Can I pay my expenses in advance, and claim them in this current year?

A. That depends on the type of expense. You can claim a deduction for expenses you have pre-paid for up to twelve months. Keep in mind, that if you pre-pay this year you need to pre-pay again next year or end up with no deduction.

Q. I had a loan for an investment property for about 10 years. Over the years things changed and the property was used to secure another loan with another bank. I recently sold the original property but the second bank wanted me to pay down the second loan to keep the loan-to-value ratio within their requirements. Because I had to pay down the second loan, I was unable to pay out the original loan. Is the interest on the original loan still tax deductible even though I no longer have the property?

A. There is a requirement in tax law that if you sell an asset that is encumbered that you pay down the loan against that asset and if there are any other loan monies still outstanding after the proceeds have been applied then the interest will be deductible. This is often the case if the value of the asset has dropped below the loan amount. In your case as long as both loans are for investment purposes and you have paid out all the proceeds from the original property then you will be able to continue to deduct interest. The tax law supporting this is expressed in ATO ID 2003/841 and Brown’s case if you want to do some light reading after having read our newsletter.



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