

# BEANCOUNTER'S BULLETIN

## Baumgartner Partners Quarterly Newsletter

4th Quarter  
2010/11



### Introduction

Welcome to this quarter's edition of *Beancounter's Bulletin*. We hope that you find the contents informative and useful and as usual we welcome any suggestions for future editions.

Please refer to our website for regular updates on new and relevant information that may affect you.

## Budget Reflection

David Baumgartner (Partner)

### Overview

Pre-Budget speculation was of a tough and possibly even painful budget, but the knife was pretty much left in its sheaf. There was a mixture of taxation and related announcements that will both please and annoy taxpayers, but they will feel little pain. The announcements included tax changes covering areas such as superannuation, income tax, CGT, GST, FBT and charities.

Whilst I acknowledge running a country is not the same as running a business, I feel the Government has made two fundamental mistakes a good business entrepreneur would not. Firstly, they do not have a fallback position or a plan B. If their assumptions fail, the budget will fail. Secondly, the budget is not providing for the future, in a time when our trading terms and conditions are the best they ever have been and probably ever will be.

But given my training is as an accountant, not a politician, I should probably focus my observations regarding the budget on the main tax changes affecting clients, rather than making political comment.

### Small business motor vehicle tax write-off

The Government has announced that Australian small businesses will now receive an instant tax write-off of the first \$5,000 of any motor vehicle purchased from 2012-13. The remainder of the purchase value can be transferred into the general small business depreciation pool. This measure is introduced to replace the Entrepreneurs Tax Offset which will be abolished from the 2012-13 year.

### FBT – Motor Vehicles

A flat statutory rate of 20% is to replace the previously scaled rates used in calculating the taxable value of car fringe benefits, under the statutory formula method. This is to apply to new vehicle contracts entered into after Budget night and is to phase in over four years.

In summary, taxpayers who drive more than 25,000 kms p.a will be worse off under the new measures. Taxpayers travelling less than 25,000 kms p.a will be better off. These measures only affect taxpayers who do not use the log book method.

### Action Item

Where cars are provided at the organisation's cost and employees are travelling more than 25,000 kms p.a, consider having employees complete log books, where this is not done already. The log book method of valuing the car benefits can then be adopted where it results in less FBT than the statutory formula method.

Where employees travel less than 15,000 kms p.a, and have not salary packaged in the past, due to there being no significant benefit, it may be that significant tax savings can now be achieved by packaging their cars. Employers who do not already offer this benefit to staff may wish to consider doing so.

### Flood Levy

There will be a one-off charge levied in the 2012 financial year. Individuals with taxable income between \$50,001 - \$100,000 will pay a levy of 0.5%. Individuals with taxable income exceeding 100,000 will pay a levy of 1%.

### Personal tax measures

Low income tax offset and minors income splitting opportunities between adults and children are to be limited, by removing access to the Low Income Tax Offset for minors on unearned income. This is particularly focused on those who are making distributions to children from discretionary trusts. Distributions to children in excess of \$416 from 1 July, 2011 will be ineffective and taxed at the top marginal rate. Income from work will be unaffected, as will unearned income of orphans or disabled minors.

## Superannuation Tax Planning David Burrows (Principal)

There are certainly not the income tax planning opportunities available for consideration before 30 June as there once were. However, superannuation is one area where opportunities do exist and accordingly we have listed below the issues which require consideration before 30 June.

Should you want any more details on any of these points, please do not hesitate to contact your client relationship manager.

1. If you meet the requirements, consider a personal deductible contribution to superannuation, to offset income earned personally.
2. Consider an in-specie contribution to superannuation of listed securities with unrealised losses, to increase your superannuation balance and offset any realised capital gains you may have in your personal name.
3. Optimise your SMSF's capital gains tax position for the financial year, by assessing whether shares with unrealised losses held by the fund can be sold to offset realised capital gains. Please note any decision to sell or buy shares, should be considered with the fund's investment strategy in mind.
4. Consider a spouse contribution to access the \$540 tax offset, if your spouse's income plus reportable fringe benefits is less than \$10,000 for the year.
5. Consider making a non-concessional contribution to superannuation of up to \$1,500 to access the Government's co-contribution. The Government will make at least a partial co-contribution payment where you have total income of up to \$61,920. Please note, to access the Government co-contribution at least 10% of your total income must be from either or both of employment or carrying on a business.

6. Ensure contributions already made during the financial year are double and triple checked before making further contributions (both concessional and non-concessional) to superannuation, so as to avoid excess contributions tax.

### ACCOUNTANT JOKE OF THE QUARTER

A guy in a bar leans over to the guy next to him and says, "Want to hear an accountant joke?" The guy next to him replies, "Well, before you tell that joke, you should know that I'm 6 feet tall, 200 pounds, and I'm an accountant. And the guy sitting next to me is 6'2" tall, 225 pounds, and he's an accountant. Now, do you still want to tell that joke?" The first guy says, "No, I don't want to have to explain it two times."

### AROUND THE TRAPS

We would like to announce that Gurjeet and Surena Singh are expecting their first child in October of this year. Congratulations to you both.

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