



CHARTERED ACCOUNTANTS

# *Your Personal Advisor*

Autumn 2010

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## **HQB Financial Services Seminar - Wed 17th March at 6pm**

### **Is Your Business Adequately Insured?**

Whatever type of business you're in, it's important to protect yourself against the unexpected.

HQB Financial Services is holding a Business Insurance Seminar on Wed 17th March covering these types of business insurance:

- Buy / sell agreements
- Business Overheads Insurance
- Key Man Insurance
- Income Protection Insurance

A day in the life...

In the early hours of each morning – actually at about 8.00am - the dedicated team of professionals at HQB are preparing for another day facing the rigours of complex tax legislation and sophisticated software to bring to you, the client, the best possible result.

Who are these people operating behind the public façade of reception and meeting rooms? They are five partners, ten accountants and bookkeepers, two financial planners and ten support staff.

New to our team since our last newsletter are Sarah Spagnolo, Brian Singh and David Lee. Sarah was with us previously for nine years before spending a couple of years working for accounting firms on the Gold Coast. Sarah has an Advanced Diploma in Accounting. Brian Singh has joined us after spending the early part of his career with a rural Chartered Accounting firm. Brian was originally from Woolgoolga and has a Bachelor of Business degree. No doubt both Sarah and Brian appreciate being back on home turf and we welcome them to our firm.

In addition to the new employees above, we have two of our accountants, Stasha and Rachelle, returning to work in the coming months. Both (ably assisted by their respective partners) have been working in the national interest helping to meet Kevin Rudd's 2030 population target, Stasha bringing a little girl Chloe, into the world, and Rachelle a little boy, Mitchell. Is their desire to return to work so quickly testament to our congenial working environment or is it the relief from motherhood that's the real appeal? Whilst on the subject of population targets, Kim, our office manager, will make her contribution in a couple of weeks – good luck Kim!

A number of our accountants, Matthew Fitzgerald, Jason Bamford, Sue Marshall and Brian Singh will undertake the Chartered Accountants (CA) program this year. Successful completion of this very difficult two years of study is the ultimate achievement for any accountant and we wish them well.

Our dedicated team of people is supported by some very sophisticated computer applications. Since our last newsletter we have installed a remarkable piece of software known as Paper Busters. This system uses optical character recognition technology to read a field on a scanned document (eg. a client's tax file number). The software then automatically files documents electronically and can also generate emails and covering letters. The result is not only increased efficiency, which we are constantly striving for, but is another step closer to a paperless office with a lot of the paperwork arriving at our office now being scanned and filed as PDF documents with the original paper finding its way to the shredder.

Another innovation making its contribution to efficiency and our environmental health is the recent installation of a fully electronic library. Access to technical material is now at our fingertips and we have been able to do away with a myriad of reference books and reports.

There can be little doubt that the right people with the right skills and attitude using the right tools have made HQB Chartered Accountants Coffs Harbour's leading accounting firm and one that we are all proud to be part of.

Greg Hardy

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## **Eye in the sky**

Rumour has it that the ATO has developed a computerized profiling tool which sources financial and other information about a particular taxpayer and related entities that it will use to determine whether to conduct a tax audit. There's nothing new about this, except the scary bit: the tool has a Google Earth function which allows a view of the taxpayers home and surrounding area.

## **Think you can hide from the tax man?**

So, if your income does not match your waterfront mansion, the luxury vehicle parked in the driveway and the cruiser at the mooring, you could be in trouble! In the meantime - keep that vehicle in the garage and moor your boat at the neighbour's mooring.

## **Unable to work due to health reasons?**

### **Income Protection is not just for high income earners...**

We all think it will never happen to us. Falling ill or being injured and unable to work is not something you may think about very often. But when it happens to someone we know we are suddenly aware of the importance of adequate insurance across all areas of life. Please realistically review your insurances, and if they don't meet your present needs, come in and discuss them with us. We invite you to take up our obligation-free first appointment with the financial planners at HQB who specialise in insurance - life insurance, business, income protection and workers compensation.

## **Don't get Caught Out!**

### **Review your Salary Sacrifice Arrangements**

Nobody enjoys paying a tax rate of 46.5% but that is exactly what can happen if you contribute superannuation above the relevant caps set by the government. Thresholds apply to contributions made to your super fund for a financial year. Any super contributed over the threshold amount is subject to extra tax.

Concessional contributions are those made which are generally included in the assessable income of the superannuation fund. They include compulsory employer superannuation amounts, salary sacrificed amounts and any other amounts that are allowed to be claimed as a tax deduction.

For concessional contributions the caps for the current year are:

<u>Age</u>	<u>2008 / 2009</u>	<u>2009 / 2010</u>
Less than 50	\$50,000	\$25,000
Over 50	\$100,000	\$50,000

**IMPORTANT: The caps have been reduced by half from last years amounts.** Accordingly, it is vital that you review your contribution arrangements to ensure they are in line with the current year's thresholds.

## **Car Financing - the finer points**

We are often asked about how to finance an asset acquisition - lease, hire purchase or asset mortgage (chattel mortgage) - for the best GST outcome.

In simple terms these are the crucial aspects of each option:

- *Leasing*: the GST is calculated and claimed in each monthly instalment.
- *Hire Purchase*: the GST is claimed the same as for leases above, (after adjusting for interest monthly) unless your business deals with GST on an accruals basis where it can be claimed in the period when acquired. (we don't recommend H-P, in order to avoid the GST confusion)
- *Asset Mortgage*: Also for personal loans, the GST is claimed in the period that the contract was entered into (ie. up front).

Lease or asset mortgage are the preferred options.

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## ***My Landlord is my Superannuation Fund!***

### ***Own your business premises in your SMSF.***

*Real estate used for business purposes is among the few assets that superannuation funds are allowed to acquire from the lease to members.*

Many business operators may also own the business premises they operate from. It is possible to transfer the ownership of your business premises into your self managed superannuation fund (SMSF). *“But why?”*, you ask...

Put simply, owning your business premises within superannuation can provide you with many benefits, including of course potential tax savings! The strategy requires your SMSF to initially buy your business premises from you and then lease the premises back to your business entity. In effect, your SMSF is now your landlord.

#### **What are the benefits?**

- Large tax deductions for contributions - transferring your business premises into super may in part be made by way of contribution to the fund (see below).
- Tax savings on rent paid to the fund - the rent payable by your business entity is fully tax deductible and is only taxed at 15% in the fund.
- Tax free sale of business premises - It is important to note that once aged 55, members of a fund are entitled to receive a superannuation pension, at which point those assets in the fund supporting that pension are taxed at 0%. This provides an opportunity for the business premises to ultimately be sold tax free.

### ***Pay yourself rent and increase your superannuation savings!***

#### **Stamp Duty and Capital Gains Tax**

It is important to recognise that when you transfer ownership of your business premises to your SMSF, the transfer will be considered as a sale of an asset by you. This means stamp duty and capital gains tax implications will apply,. It is possible though to significantly reduce or even eliminate the capital gains upon transfer by using the small business concessions.

#### **What's required under superannuation law?**

The acquisition of your business premises by your SMSF must be undertaken for an amount that represents current market value. A Valuation needs to be sought to evidence this has occurred.

### ***SMSF Borrowing makes this achievable... your SMSF can take a loan with you.***

The SMSF is then required to collect rent from your business under a written lease agreement based on commercial terms. To ensure you do not fall foul of superannuation law you should be more than satisfied that your business will be in a position to meet the appropriate future rental commitments to the fund.

#### **How do I do it?**

Practically, your SMSF is acquiring your business premises from you so it is important that it pays for it. To achieve the transfer the SMSF may:

- pay for the acquisition on the basis that the fund has the required amount of money to do so. (this may come from contributions already made to the fund over the years and/or rollovers received from other funds)
- transfer business premises into the fund in satisfaction of superannuation contributions made. (Note: contributions are still subject to the relevant contribution caps)
- borrow from the bank or borrow from you (if you are the owner of the property) to acquire the premises.
- use a combination of the above.

*Make sure you talk to us first to get it right.*

## GLYNIS' GAG

A man goes out golfing, he is on the second hole when he notices a frog sitting next to the green.

He thinks nothing of it and is about to shoot when he hears "Ribbit, 9 iron". The man looks around and doesn't see anyone. Again, he hears "Ribbit, 9 iron". He looks at the frog and decides to prove the frog wrong, puts the club away and grabs a 9 iron instead.

Boom! He hits it 10 inches from the hole. He is shocked. He says to the frog, "Wow, that's amazing! You must be a lucky frog?" The frog replies, "Ribbit, lucky frog". The man decides to take the frog with him to the next hole.

"What do you think frog?", the man asks. "Ribbit, 3 wood". The guy takes out a 3 wood and boom! Hole in one. The man is befuddled and doesn't know what to say.

By the end of the day, the man golfed the best game of golf in his life and asks the frog, "OK, where to next?" The frog replies, "Ribbit, Las Vegas".

They go to Las Vegas and the guy says "OK frog, now what?" The frog says, "Ribbit, Roulette". Upon approaching the roulette table the man asks, "What do you think I should bet?"

The frog replies, "Ribbit, \$3000 black 6". Now, this is a million-to-one shot to win, but after the golf game the man figures, what the heck? Boom! Tons of cash come sliding back across the table.

The man takes his winnings and buys the best room in the hotel. He sits the frog down and says, "Frog, I don't know how to repay you. You've won me all this money and I am forever grateful." The frog replies, "Ribbit, kiss me." The man figures, why not? Since after all the frog did for him, he deserves it. With a kiss, the frog turns into a gorgeous girl.



"And that is how the girl ended up in my room, Elin. So help me God or my name is not Tiger Woods."



*Coffs Harbour  
circa—1952*

### **Resident Minors - tax free thresholds**

In the 2009/2010 tax year, the low income tax offset has been raised to \$1,350, up from \$1,200 last year. This means that \$3,000 can be distributed to minors (children under age 18) tax-free in the 2010 financial year.

Ordinarily, and excluding the offset, once a minor's income exceeds \$1,307 the entire amount is taxed at 45%. However, applying the low-income tax offset of \$1,350 means that no income tax will be payable until the minor's taxable income exceeds \$3,000.

Employment and business income earned by a minor are excluded from the above limitations.



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**We suggest that you do not act solely on the basis of material contained in this newsletter because items are general comments only and may be liable to misinterpretation in particular circumstances.**

**We recommend that our advice be sought before acting on any of these crucial areas.**