

MERRY CHRISTMAS FROM ALL OF US AT HQB!

Office Closure

Our office will close for the Christmas break from 5pm Tuesday 23rd December and re-open for business on Monday 12th January 2009 at 8.30am

HAGAR THE HORRIBLE BY CHRIS BROWNE



Medicare Levy Surcharge

Further to an announcement made in the Federal Budget, it seems that an agreement has been reached on the new Medicare levy surcharge thresholds. The Medicare levy surcharge is a 1% levy payable where you do not hold appropriate private hospital cover and your income exceeds the thresholds detailed below.

The income threshold has now been raised from \$50,000 to \$70,000 for singles and from \$100,000 to \$140,000 couples.

Log books for motor vehicle claims

In a recent case a taxpayer was denied claims for work travel deductions based on the fact that his log book was inaccurate.

To ensure your log book is filled out correctly record the following things:

- The day your journey began and ended
- Your car's odometer readings at the start and end of the trip
- The number of kilometers travelled
- The reason for the trip



Record each as soon as you can after the trip is finished, that way you will have no trouble getting correct readings or remembering what the trip was for!

Kokoda Update



As advised in our last newsletter some of the HQB partners will be trekking the Kokoda Trail next June. There is a contingent of some 15 people who will make the journey and all are excited by the challenge that lies ahead. (there may be more spots, if you are interested.)

Conditioning master Ian Hogbin has put together a comprehensive training program of challenging walks designed to build up stamina and endurance.

The recent Sunday's rain affected 1,000 metre climb amongst leeches, bent walking sticks and mud was a perfect sampler of what some of the conditions the intrepid travellers will experience come June.

Business Premises in Superannuation

The message here is to talk to us first!

The rules in relation to superannuation funds are complex and all issues need to be considered before embarking on this strategy.

It is possible to have your business premises held within a self managed superannuation fund. The fund can then lease the commercial premises to your business, provided the premises are used wholly and exclusively for business purposes and meet the definition of business real property under the legislation.

The rent charged by the fund must be an amount equivalent to “arms length” commercial terms and a lease agreement must be in place that can be enforceable by legal proceedings (i.e. a written agreement).

If your fund acquires the business premises from you, then the purchase price paid to you should be struck at current market value. Valuations from a qualified valuer will be needed to support this as dealing at commercial terms it is a requirement of superannuation law. **However, proceed with caution here as the transfer of property will more than likely trigger stamp duty and capital gains tax liabilities.**

Estate Planning for Superannuation Monies!

Don't discard your superannuation investment in your estate planning – make sure you've got all bases covered.

There are many that may not be aware but superannuation is not automatically covered by your will. Superannuation law gives the trustees of the fund the power to direct where a deceased member's superannuation entitlement is to be paid.

In the situation of a self managed superannuation fund, the trustees in control of your entitlement after death will be governed by the terms of your fund's trust deed and any nominations that have been put in place.

There are a number of issues to contemplate during estate planning, and superannuation should not be excluded. Given that there are also tax advantages in distributing your superannuation money to certain beneficiaries upon death, we recommend these matters are reviewed thoroughly and go beyond the mere making of a will.



The local bar was so sure that its bartender was the strongest man around that they offered a standing \$1000 bet. The bartender would squeeze a lemon until all the juice ran into a glass, and hand the lemon to a patron. Anyone who could squeeze one more drop of juice out would win the money.

Many people had tried over time – weightlifters, longshoremen, etc. But nobody could do it. One day a scrawny little man came in wearing thick glasses and a polyester , and said in a tiny, squeaky voice, 'I'd like to try the bet.'

After the laughter had died down, the bartender said 'okay', grabbed a lemon, and squeezed away. He then handed the wrinkled remains of the rind to the little man.

But the crowd's laughter turned to total silence as the man clenched his fist around the lemon and six more drops of juice fell into the glass.

As the crowd cheered, the bartender paid him the \$1000, and asked the little man, 'What do you do for a living? Are you a lumberjack, a weight lifter, or what?'

The man replied, 'I work for the Australian Tax Office.'

Borrowing by Superannuation Funds

We are geared to give you the right advice on this!

There has been a lot of discussion on this strategy since it was announced about a year ago with many people now interested in taking advantage of a gearing strategy in superannuation.

Previously superannuation funds could only borrow in very limited circumstances which did not facilitate the longer term borrowings needed to fund the acquisition of assets such as property and shares. But the law has since been changed to accommodate this.

The changes made to the legislation to allow this type of borrowing require certain conditions to be met and it's not as simple as going to the bank and acquiring a loan. The arrangement must be structured in a certain way. This is most important to ensure compliance with superannuation legislation.

Give us a call if you wish to discuss this in more detail.

New rules for Unfair Dismissal in Small Businesses

Employers will be required to give an employee one warning, along with sufficient time to correct their behaviour or improve their work before they can be dismissed.

Changes to Small Business Fair Dismissal Code

Businesses with fewer than 15 employees will now have new legislation to help them guard against unfair dismissal claims. Employees will also benefit from the clear guidelines in the new Fair Dismissal Code.

The major changes to the code are:

- Only employees who have worked for more than 12 months (including full time, part time and casual) will be eligible to claim unfair dismissal
- A Fair Dismissal Code Checklist will be introduced to guide employers through the dismissal process and protect workers from unfair treatment.

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GST and Property Construction.

What if I change my Mind?

There are times when a developer will acquire land and construct a building on that land with the intention of selling the property upon completion. The developer being registered for GST would quite rightly be entitled to claim back any GST paid on construction costs.

However, if upon completion the developer was unable to sell the property and subsequently decided to rent it instead, then potentially the developer may have to pay back the GST claimed on the construction costs.

There may be some relief where the sole intention is to sell the new properties and the properties have been actively marketed for sale.

Subdividing the Backyard!

Capital Gains tax will not usually apply to land purchased before September 1985.

Talk to HQB before acting.

The sale of the family home has always been exempt from Capital Gains Tax. The exemption also covers adjacent land to the dwelling which is used for private or domestic purposes. The maximum area of land covered by the exemption is two hectares which includes the land on which the dwelling is built. This means that if the family home is built on a two-hectare block then capital gains tax will not apply upon the sale of the property (provided the use of the land was for private purposes).

However, it is becoming more common for people living on larger suburban blocks to "sell off some of their backyard" by way of subdivision. Even though the property is not larger than two hectares the imposition of Capital Gains Tax may still apply. This is because the subdivided portion now represents a new title of land and accordingly is treated as a separate block. Consequently, it cannot be your main residence as your family dwelling is not situated on that new piece of land.

Income Protection Insurance

Will your family be able to pay the bills if you can't work due to sickness or injury?

Premiums are tax deductible

Income Protection Insurance provides a replacement income stream should you become unable to work due to an injury or sickness. The maximum amount of cover you can purchase is usually limited to 75% of your annual income.

It could be argued that income protection is probably the most important type of insurance. Your income is used to maintain a certain living standard, care for your family, build wealth and provide for your retirement.

Getting the right professional advice on how to structure your risk insurance is very important. Please contact one of our experienced financial advisers at HQB Financial Services to discuss your personal insurance needs.

Sixty and Tax Free

Talk to us about the strategy that best suits you.

There have been a number of changes to the superannuation system over the years and there probably will still be many more to come. However, there is no doubt that the last raft of changes which commenced on 1 July 2007 have made superannuation an even more attractive prospect. So much so that it is now widely acknowledged as the preferred investment vehicle to hold retirement assets in.

And the reason why? Taxation of course.

Superannuation as a concessional tax environment has always been a popular choice – the lower tax rate of 15% designed to encourage taxpayers to save for retirement. Further to this, having met specific conditions, should you decide to commence a pension with your superannuation monies then the effective tax rate on the income generated from those assets funding the pension is 0% - that's right nil.

Take this a step further, starting a pension of course means you must withdraw a certain amount of money from your fund each year as pension payments, however the new rules state that those over age 60 can withdraw their superannuation benefits from a taxed fund tax free. So essentially the money within superannuation is tax exempt because a pension has commenced and the money withdrawn is also tax exempt where the pensioner is over age 60 –does it get any better than this?

Tax 5 Years ago...

Just as a matter of interest.

1 July 2003		1 July 2008	
Taxable Income	Tax Rate - %	Taxable Income	Tax Rate - %
0 – 6,000	0	0 – 6,000	0
6,001 – 21,600	17	6,001 – 34,000	15
21,601 - 52,000	30	34,001 – 80,000	30
52,001 – 62,500	42	80,001 – 180,000	40
62,501 - +	47	180,001 - +	45



This newsletter is compiled as a helpful guide for your private information and is subject to copyright.

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. Contact one of our partners Ian Hogbin, Bill Herd, Kent Lee, Paul Chakos or Greg Hardy.