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## The cost of carbon

Carbon: the element from which diamonds, coal and graphite originate.

How could this one substance produce, on the one hand, one of the hardest and most beautiful materials on earth, yet on the other hand a soft, dirty, opaque substance. No, this article is not about our Prime Minister, although either description may fit depending on your political persuasion.

Recently, carbon has emerged as somewhat of a bad guy, floating round in the atmosphere doing terrible things to our climate and gathering a similar villainous reputation as cholesterol and all the other free-radicals (including Gaddafi) doing terrible things to our bodies.

So, who do we call? Julia, the carbon buster, of course!

On 24 February 2011, the Federal government announced a Carbon Tax to operate from 1 July 2012. Implementation of the tax will be over a 3 - 5 year period with the ultimate intention of switching to a carbon trading system. A carbon tax is a tax on the carbon content of fuels, in proportion to their carbon content. Carbon, it turns out, is present in fossil fuels and escapes into the environment as carbon dioxide when these fuels are burnt.

The jury is still out on what this tax will cost. Figures of \$23 to \$26 per ton have been rumoured. I trust this will mean something to the reader, but it is meaningless to me, and how this will translate in terms of an individual's disposable income or cost of living is anybody's guess. The one thing that is certain is that it will cost us all in the long run, although there has been some talk about returning revenue to households to assist with renewable energy installations.

While there can be little argument that all thinking people would support any measure to improve the environment for our children and grandchildren, the fundamental question remains: is there any point in imposing a domestic carbon tax which results in emissions transferring internationally and that has no real benefit to the environment, as I recall Penny Wong, the then climate change and water minister, said similarly some time ago.

In the meantime, the brawl between Labor, the Greens and the Independents in the green (or should that be black) corner and the Liberal/ National coalition in the transparent (the colour of diamonds) corner continues.

Yours neutrally,  
*Greg Hardy*

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## Fringe Benefits Tax - it may affect you even if you don't know it!

*Your business may be providing fringe benefits without realising it*

Fringe Benefits Tax is a tax paid by employers for certain benefits that they provide to employees or associates of employees. A fringe benefit may include:

- Cars that employees take home overnight
- Cars owned by the business that employees use for private use
- Expenses for which the business pays or reimburses an employee
- Entertainment, food or drink for employees
- Free or discounted electrical goods given to employees
- Home or accommodation provided to an employee
- Reduced rate loans for employees
- Clearing a debt which an employee owes to the business

*Think about what benefits you derive from your own company or trust...*

### **Do you work for yourself? You may be receiving fringe benefits unknowingly**

If your business is a company or a trust, and you are a director, you may be classified as an employee of your business. You may be receiving fringe benefits from your own company, for example a car which you use for work, but then garage at home, or a private phone line paid for through your business. This means your company or trust is exposed to FBT.



### **Reducing your FBT liability**

It is possible to reduce your FBT liability through various means such as replacing fringe benefits with cash salary, providing benefits that are exempt from FBT or benefits that the employee would be entitled to claim as a tax deduction.

In addition, where an employee makes a contribution towards a benefit the taxable value of the benefit is reduced. This is commonly called an employee contribution. For example, where a company car is provided to the employee, if he or she pays for the fuel out of their own pocket, this amount reduces the fringe benefits tax liability.

*HQB can provide your business with a review of FBT matters and offer tax effective solutions to ensure you are not exposed*

### **Items exempt from FBT**

The following items provided to an employee will not attract a fringe benefits tax:

- Most minor benefits (less than \$300)
- Portable electronic devices (ie mobile phone, calculator, laptop, GPS)
- Computer software
- Protective clothing
- Briefcases or tools of trade

*Give us a call today!*

There are limitations on the above items, such as 'one item per year' (unless it is a replacement) and the item must be 'primarily for use in the employee's employment'. The work-related usage is defined as the intended use of the item at the time it is provided to the employee. This can be based upon an employee's job description, employment contract, or by documenting the reasons for which it was provided and how it relates to the employee's duties in the workplace.

**New workplace legislation - it's for EVERYONE!**

**Make sure your awards are up to date...**

**Fair Work Australia – Moving to Modern Awards**

ALL employers should by now be operating under the new modern awards which were introduced as a result of the Fair Work legislation. There were varying commencement dates of these new law changes, but since 1 February this year all workplaces are required to use the new awards.

- Constitutional Corporations - new awards took effect on 1 January 2010
- Sole Traders, Partnerships and Non Constitutional Corporations – new awards took effect on 1 February 2011

The Fair Work Act has delivered a *national* workplace relations system which has provided new federal awards to take the place of the old state awards. If you have not yet considered the new laws you should promptly gather the relevant information from Fair Work Australia by visiting their website at [www.fwa.gov.au](http://www.fwa.gov.au) or phoning 13 13 94. Alternatively, phone us at HQB and we'll steer you in the right direction.

**Benchmarking - An Update**



**HQB takes on ATO over Benchmarking scheme**

Subsequent to our Christmas 2010 edition, in which Bill Herd addressed the pitfalls of recent ATO benchmarking programs, a number of our clients have received letters regarding their businesses because they have fallen outside the ATO's benchmarks.

If you receive such a letter or phone call, contact us immediately and do not enter into discussions with the tax man.

There are numerous logical explanations as to why your business varies from ATO benchmarks, and we will be able to discuss it on your behalf.

We have made contact with our professional bodies on this matter, and at present the Institute of Chartered Accountants Australia (ICAA) is making a representation on our behalf to the ATO Tax Practitioner Forum specifically dealing with the erroneous application of these benchmarks and the resulting inconvenience to our clients.



**Introducing Peter Kent - Manager at HQB**

Peter Kent has recently re-joined us as a manager at HQB. Peter, as you may recall, was with us from 1993 until 2001, after which he enjoyed a company secretarial position living the high life in Sydney. We are now thrilled to welcome Peter back to the team.

Peter has always had a great connection with the people of Coffs Harbour, being a long-time resident with many business associates and friends in the city. He brings a level of maturity with accounting and business expertise which will greatly benefit our clients.

Peter's book is open and he is happy to accept new clients.

## ASK THE EXPERT...

Having trouble sending your electronic files to HQB or looking after your data? In house IT expert, Mark Brown, has these quick tips:

When creating a copy of your MYOB file to send to HQB, use these steps to create a small file that's easy to send via email, while still containing all the vital information we need:

1. In the MYOB Company File Backup options, select "Backup Company File and M-Powered Service Centre Only"
2. Select "Check Company File for errors"
3. Note where the Back Up is saved as you need to attach that file to your email before sending to HQB

When creating internal backups:

1. Select the "Back up all data" option
2. Ensure the backup is stored on an external media (ie USB stick, removable drive)
3. Store your media in a safe place away from your computer
4. If you use MYOB daily - do a daily backup. If you use MYOB weekly - do a weekly backup

**It's always easier to restore a backup than re-enter the information!**

## Mount Kilimanjaro - Not actually a walk in the park!



HQB partners Bill and Ian have just returned from trekking up Mount Kilimanjaro in Tanzania. At 5,895m (or 19,340 ft) tall, it is the highest freestanding mountain in the world and the highest mountain in Africa, complete with snow covered peak and glaciers.

The biggest challenge the guys found was dealing with the altitude and lack of oxygen, to the point of near exhaustion. A great advertisement for not smoking!

Highly recommended if you've got half a dozen spare days, and a desire to test your lung capacity.

*Bill Herd and Tom Hogbin (deputising as altitude got the better of Ian Hogbin) - triumphant, cold and exhausted at the peak.*



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.