



**ACCOMPLISHED**  
**ACCOUNTING SERVICES**  
WEALTH SOLUTIONS FOR SMALL BUSINESS

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## Quarterly Newsletter

June 2010



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Hi Everyone!

Can you believe we are nearing the end of another financial year? This newsletter is HUGE, but as usual we have used sub-headings so you can easily identify sections that may relate to you. There is also a special Property section at the end of the newsletter. Let's get into it.

### ***New logo, slogan and website:***

You'll see above that we now have a new logo and slogan. We have also completely overhauled our website with a brand new look of which we are extremely proud. The content on the website is amazing, so please be sure to check it out at [www.accomplished.net.au](http://www.accomplished.net.au)

### ***Our firm is growing:***

We are investing a lot of time and effort into expanding our knowledge and resources so that we can offer our clients an optimum and complete service. Whilst tax is a necessary 'evil', we are more than a compliance-focused accounting firm. We want to provide value to our clients. On our new website and throughout this newsletter, you will see that we have expanded to offer a HUGE variety of services, from business coaching to mortgage services to equipment & vehicle financing, and so much more. We look forward to being an active part of your journey to achieve your goals, whatever they may be.

### **Direct deposit of tax refunds:**

We wish to remind clients that we do offer for tax refunds to be deposited directly into their nominated bank accounts. We only ask that you provide us with the bank details BEFORE we complete your tax return, so you can check the details before signing it off. Our fee will need to be paid in full prior to lodgement of the tax return.

### **Important due dates:**

Employers should know that the due date for Business Activity Statements for the June quarter is July 28<sup>th</sup>. The due date for superannuation contributions to be paid for the June quarter is also July 28<sup>th</sup>, 2010.

### **ATO audit activity:**

The ATO has stepped up its resources to conduct audits and reviews of small businesses, and has therefore developed Small Business Industry Benchmarks to assist them to identify businesses who are reporting outside of the expected range for their industry. The ratios used include:

- Cost of goods sold to turnover
- Labour (excluding the owner) to turnover
- Rent to turnover
- Motor vehicle expenses to turnover

We will be comparing these ratios of our business clients to the industry benchmarks when we prepare the annual accounts, and will highlight any discrepancies to you, so together we can investigate reasons for the variances and get your business back on track.

### **Owning vehicles in companies and trusts:**

Please be aware that owning vehicles in a company or trust structure could incur Fringe Benefits Tax implications. Should you be considering purchasing a vehicle in one of these structures, please contact us to discuss the implications in your specific situation.

### **Vehicle and equipment finance:**

We are excited to offer our clients this brilliant service whereby our financier can offer incredible fleet discounts on finance for vehicle and equipment purchases. Please contact us if you are in need of this type of finance and we'll provide you with a great deal.

### **Importance of professional advice:**

We see it often, where clients have made major decisions without obtaining the right professional advice prior to taking any action. If you are considering any of the following at any time in the future, please contact us to arrange an appointment:

- Purchasing an investment property
- Selling an investment property
- Developing a property
- Considering the purchase of a business
- Beginning self-employment
- Employing people
- Establishing a new structure
- Considering a partnership or joint venture
- Selling a business
- Contributing to superannuation
- Accepting or exercising any employee shares or rights
- Obtaining business finance

In some instances where we cannot provide you with specialized advice, we can certainly put you in touch with a trusted professional. Remember, a small investment upfront could potentially save you thousands of dollars and much heartache down the track.

**Small business start-ups:**

We have purchased a new software package to benefit clients starting a new business. This will allow us to input your details and present you with a comprehensive report covering all aspects of starting a new business. If you are thinking of starting a new business, or if you know someone who is in that position, please contact us to arrange an appointment.

**Offer to add value for businesses:**

We are keen to work as your business partners to ensure your business is as successful as it can be. To do this, we are considering purchasing some specialized software which will help us to identify ways to increase your profitability. We are proposing to offer this service to our business clients as a business package.

This business 'value-adding' package would be offered to business owners who wish to carefully monitor their performance each quarter, and consider techniques to achieve higher profitability each quarter. We envision the fees for this package to be somewhere in the vicinity of \$750 per quarter. This equates to around \$58 per week which is a small investment towards improving the profitability of your business and identifying potential issues during the year, when there is still time to take action.

We might also consider offering a smaller package, for example, for a twice annual review.

As the software is very expensive, we thought we would invite feedback from our business clients as to whether they feel they could benefit from a more active, hands-on relationship with their accountant. We would greatly appreciate your feedback to help us to decide whether this investment would be of value to our clients. Please note, the annual taxation fees are not included in the business package.

**Superannuation contributions:**

For those employees and self-employed clients who wish to contribute to their super fund, you should ensure that your contribution is received by your fund before 30<sup>th</sup> June, so your contribution will be counted in the 2010 year, either for the government co-contribution for eligible employees, or for a personal deduction for eligible self-employed persons.

**Offer of annual review for clients:**

We wish to offer our clients a review of their overall circumstances on an annual basis, which is designed to give us an idea of your current situation, needs and other areas in which we may be able to help you. For example, there may be government benefits that you weren't aware you could be entitled to. When you contact us to book in your tax appointment each year, we will offer you this free annual review, which you are not in any way obligated to accept. This review is estimated to take around 10 minutes to complete.

**CRUCIAL tax-saving record-keeping for businesses:**

When a business owner wishes to sell their business, there is a capital gains event (CGT), so they will obviously want to do this in the most tax-efficient manner. We can consider four small business concessions when a business is sold. However, for us to do this, we will require access to a lot of information to determine eligibility to each concession. Therefore, it is crucial that business owners keep their business records beyond the usual 5 year period. This will require you to retain your documentation indefinitely. Whilst this may seem to be more trouble than it's worth, I recall a client who was selling a farm, and by having access to their records going back 15 years, we were able to determine that they were eligible for a complete exemption from CGT on the sale!

For more information on record keeping for this purpose, please visit:

<http://ato.gov.au/taxprofessionals/content.asp?doc=/content/00235376.htm&pc=001/005/09/004&mnu=43718&mfp=001/005&st=&cy=1>

### **Main residence exemption from CGT (for a home on more than 2 hectares):**

It is important to inform that not all homes are automatically covered by the main residence exemption when they are sold. For a complete exemption from CGT, only the home and up to 2 hectares of the land are included. Valuations will be required to help us with the calculations.

### **Main residence exemption from CGT (when a business is operated from home):**

For businesses that are operated from home, there may be some capital gains payable on the sale of the home, which is usually calculated as a portion relative to the area that is set aside for the business operation.

In short, you won't need to worry if you just use a home office for convenience, or if the main business activity is done offsite eg. a mobile mechanic who is constantly working at customer sites, but does their books at home. However, if a mechanic is operating the business from the home garage, a capital gains tax event would occur upon sale of the home, and a portion of the sale will be taxable.

Unfortunately, if you fall into this category whereby a portion of the gain will be taxable, this will mean that you will need to retain all relevant documentation to allow us to calculate the capital gain ie. purchase and sale documentation, rates, loan interest etc. The more documentation you can keep, the less tax that could be payable. More information is available at:

<http://www.ato.gov.au/individuals/content.asp?doc=/content/43142.htm&page=1&H1>

### **Hybrid Trust update:**

Over the past couple of months we have been discussing the latest implications of Hybrid Trust structures with Macquarie Group Services. If you own property in a hybrid trust structure, please be sure to arrange an appointment with us to discuss the implications before you purchase a subsequent property in the Trust, and before selling a property owned by the Trust.

### **Making investment decisions - have you done your research?**

Are you considering a tax-effective investment? It's important you have all the facts to make an informed decision. Some investments offer tax benefits such as reducing assessable income or increasing deductions, but end up being outside the law. You can check with the ATO to ensure promised tax benefits will be available. Find out as much as you can about an arrangement before investing. Make sure the arrangement has a prospectus or product disclosure statement and get independent advice about the promised tax benefits from a professional advisor. A person associated with the scheme is not independent.

Start by visiting [www.ato.gov.au/investing](http://www.ato.gov.au/investing) and read the Investigate Before Investing fact sheet. It provides information about tax effective investing and how to detect potential tax avoidance schemes. You can also check if the arrangement you're considering is covered by an ATO product ruling confirming the tax benefits, or if a Taxpayer alert has been issued warning about the arrangement. Doing your research will help you avoid negative consequences including having to repay tax and incurring interest and penalties.

### **Referrals & feedback:**

We are always striving to improve how we do things, so please feel free to advise us of your feedback in relation to your experience with us.

Also, there is no bigger compliment than you being so pleased with our services that you refer your friends and family to us. Thank you to everyone who has referred someone to us. We really appreciate your support.

**Conclusion:**

Please don't forget to advise us when your contact details change so we can update the database. Email is the best method for communicating news, and we send a lot of emails to clients throughout the year, so please let us know your email address if you are not getting these.

Take care and see you soon! Sharni and the team

Disclaimer:

The information contained in this newsletter is general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances.

# **PROPERTY SECTION**

## ***Line of credit secured against home:***

To get further with property investing, faster, it is a common strategy to access the equity in your home to cover the 20% + costs on the purchase of an investment property. It is important to structure this correctly to ensure that the interest pertaining to the investment property is maximized, whilst allowing you to direct more funds towards the home loan portion to pay off your own home faster. If you are considering using the equity in your home for investment (or business) purposes, please discuss your situation with us to ensure it is tax effective.

## ***Negative gearing investment property:***

We have also invested in negative gearing investment software whereby we can input specific data to produce a thorough report with information on projections and cash positions. If you are considering purchasing an investment property and wish to see how it will affect you, please get in touch with us to arrange a consultation. We will be very happy to assist you on this journey.

We can also discuss the benefits of investing in off-the-plan developments. This type of investment can certainly make property investment more affordable.

## ***Travel deductions for rental properties:***

For clients who own rental properties in regional or interstate areas, here are some tips for claiming travel expenses correctly. A full deduction for airfares is available where the predominant purpose of the trip relates to the rental property, but whilst you were there, you decided to do some sightseeing. However, if the predominant purpose of the trip is for a holiday, but whilst you were there, you squeezed in an inspection on the property, no portion of the airfares would be deductible. You would, though, be able to claim for direct expenses involved with the rental property eg. taxis to and from the property, or a night's accommodation nearby to the property.

We will usually need to confirm some details with you when preparing your tax return, so if you can provide us with full details of travel expenses upfront, that would be very helpful.

## ***Depreciation schedules:***

If you don't already have depreciation schedules prepared for your investment properties, it's time to put it on the to-do list. A good quantity surveyor can prepare a depreciation schedule that could potentially save you thousands of dollars in tax, and their fee is fully tax deductible! The amount of depreciation that can be claimed will obviously vary between properties, but it is certainly worth a phone call to find out, isn't it? We have dealt with Clive from CMR & Associates for many years now, so please feel free to contact CMR to discuss whether your particular property would derive a worthwhile amount of depreciation claims.

Ph: 1300131658 or email: [cmr.tds@optusnet.com.au](mailto:cmr.tds@optusnet.com.au)

## ***Estate planning:***

Whilst this is not our area of expertise, we would like to raise the importance of the issue to our clients. Tenants in Common refers to the situation where you and another party/ies have a specified ownership as shown on the legal title to the property. If you own a property as tenants in common, and you die, your share of the property will become part of your deceased estate, to be distributed in accordance with your Will.

In contrast, Joint Tenancy is where no ownership split is identified on the legal title, which defaults to each party owning an equal share in the property. If you own a property as joint tenants, and you die, your share of the property is automatically transferred to the surviving joint tenant.

We believe this could be a potential problem where a husband and wife own a property as tenants in common, but had the impression that they were joint tenants, in which case they believe their share of the property will automatically transfer to their surviving spouse. However, if the property is actually owned as tenants in common, the property would form part of the deceased estate. A problem would arise if the deceased spouse did not leave a valid will and therefore died intestate. This would mean the control of their estate would be in the hands of an external party, who would have the ability to determine who should inherit that share of the property.

There are so many issues to consider with estate planning, so we recommend you consult a solicitor to ensure you appropriately plan for your family. If you are in need of a solicitor, we can certainly recommend a good one to you.

***Property building depreciation:***

All property investors should be aware that building depreciation is required to be subtracted from the cost base of your property when calculating capital gains upon disposal. This effectively increases your capital gain and is a mandatory requirement for all investment properties purchased after 13th May 1997. We must reduce the cost base of the building by the amount that you 'could' have claimed. If the tax returns are within the time limit to amend and you did not claim a deduction, the cost base of the asset should be reduced by the amounts you were entitled to claim but didn't. If you are out of the time to amend the tax returns, as you cannot claim a deduction for that period, you do not have to reduce the cost base.