

# Newsletter



PROFESSIONAL ACCOUNTING AND BUSINESS CONSULTANTS ■ SEPTEMBER/OCTOBER 2010

Welcome to the September/October Edition of our corporate newsletter.

Thank you for all the feedback sent to us in relation to our previous edition. Please continue to email us your feedback, especially on things we can do better in the future.

## Tax Diary September/October 2010

### 21 October

September 2010 Monthly Activity Statements due date for lodgement and payment (if required).

### 28 October

September 2010 Quarterly PAYG Instalments due date for payment (or variation if required)

### 28 October

September 2010 Superannuation guarantee contributions due date for payment

### 21 November

October 2010 Monthly Activity Statements due date for lodgement and payment (if required)

### 25 November

September 2010 Quarterly Activity Statements due date for lodgement and payment (if required)

### 21 December

November 2010 Monthly Activity Statements due date for lodgement and payment (if required)

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- Is Cash Still King?
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- ASIC Annual Statements
- Genesys Wealth Advisors Article
- Computer Initiatives Article

## Regular Features

- Pete's in a pickle
- Meet the Team - staff member profile
- Freaky Facts!

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## Understanding Rental Properties

### and the tax effectiveness of rental property ownership

**H**ow should you own a rental property – Joints tenants or tenants in common?

One of the questions you will come across when deciding on purchasing a rental property is how you will structure your ownership. This can be an important question particularly when working out negative gearing strategies as well as capital gains when you decide to sell the property. When you purchase a property with two or more parties, you need to make an election as to whether you want to hold the property as joint tenants or as tenants in common. Joint Tenants allows you to own the property in equal proportion and if one of the parties dies then their share automatically passes to the other. To hold a property as tenants in common you are able to still choose to own the property in equal shares or unequally and if one of you passes away, your Will decides who gets your ownership share. Income or Losses from the property will be apportioned according to ownership equity.



#### Capital Gains Tax on Rental Properties Sales – Expelling a myth!

If you own a property 99% yourself and 1% with another (as tenants-in-common) then the capital gain when you sell the property can be split 50/50. **WRONG**. This is a misleading selling point often spruiked at property seminars and is completely incorrect. The capital gain on a sale of property is to be split in proportion of the ownership of the property. If you are unsure on the capital gains tax implications in respect to a sale of property, please speak to your client manager.

#### How a Quantity Surveyor could benefit rental property investors

As an owner of a rental property you are entitled to claim depreciation on the building structure (Div 43) and the fixtures and fittings inside (Div 40).

Quantity Surveyors are able to estimate the values of the original construction value and the values of the fixtures and fittings inside your rental property. Depending on what assets, the quantity, and quality of the assets the exact amount of depreciation will vary from property to property. Quantity Surveyors are now required to be registered as tax agents since the introduction of the Tax Agent Services Act 2009. We can recommend you to a Quantity Surveyor, should you require one.

## Meet the Team



### Preet Garcha

#### Role at Casey Partners:

Preet is an Accountant involved in the preparation of Business Activity Statements and Tax Returns. Her past experience is in bookkeeping and training with the use of MYOB software. Preet has worked at Casey Partners for around 2 years.

**Favourite TV Show:** Modern Family

**Favourite Food:** Italian Cuisine, pasta and pizza. Followed by Cheesecake.

**Worst food:** Meat

**Family:** Married with 2 Lovely kids. Boy and Girl.

**Favourite Holiday Destination:** Italy and Greece

**Hobbies/Interests:** Preet loves playing outdoors with her kids, cooking and entertaining, watching bollywood films and travelling overseas

# Is Cash Still King?

*- not according to the Australian Taxation Office*

Do you ever get offered “cash” to do a job for a customer? As clients of Casey Partners we are confident that if you do get the offer, you either don’t take them up on the work or you fully declare all the income on the job. Apparently, however, there are many businesses out there accepting such offers and under declaring income. The introduction of GST 10 years ago was meant to remove the “cash” economy, but it appears as though it is here to stay.



Earlier this month the Australian Tax Office (ATO) announced the expansion of its use of data matching to focus on businesses using cash transactions to hide income. The ATO has also identified tax refund fraud, wealthy Australians and tax-secrecy havens as some of its top priorities in its compliance program for the 2011 financial year.

Like it or not, the ATO is getting much more up-to-date with its level of technology, allowing much more accurate and efficient data matching of information. It’s actually a little scary how much Mr Taxman knows or is able to find out. It’s not uncommon for the ATO to data match property title and motor vehicle transfers and question any unreported discrepancies. If you have tried to avoid declaring a sale of an asset there is an ever-increasing chance you will get caught.

Not unexpectedly, a favourite target of the ATO is the so-called cash economy. The ATO says that, this financial year, it will send around 110,000 letters to taxpayers who it suspects may be participating in the cash economy. The ATO says some businesses are evading their obligations by paying cash wages or treating employees as contractors, skimming some or all of their cash takings or operating underground by not registering or lodging returns. The majority of letters will be sent to businesses reporting outside the small business benchmarks for their industry.

The benchmarks look at key business ratios for high, medium and low turnover businesses for more than 100 industries and cover various turnover and profit-related ratios. The ATO provides a ratio range for various industries to help businesses work out whether they fall within or outside the average for their industry and to help them explain why their business may differ.

We are aware of the ATO issuing amended assessments on taxpayers to bring their taxable income in line with the expected benchmarks. The onus of proof that the ATO is wrong rests with the taxpayer. Draconian yes, correct, probably not, and our profession are arguing strongly that benchmarks are not the rule but just a guide.

In keeping with the focus on the cash economy, the ATO hopes to pick up people who are not declaring their full income through their lifestyle, including purchases of property, luxury cars or boats or private jets, which would not seem to be supported by their reported income. The ability of the ATO to obtain information from government agencies is far reaching and these discrepancies highlighted are being investigated more all the time.

At Casey Partners, we have seen quite a few cash economy ‘warning’ letters coming through over the last month and expect them to continue. These are not necessarily anything to be concerned about, but should act as a reminder to review your records to ensure you have correctly reported all income, especially cash!

## Freaky Facts...

Did you know....?

Kissing is healthier than shaking hands

Pumice is the only rock that floats in water

The Elephant is the only animal with four knees!

# Paid Parental Leave

## *Your Obligations as an Employer*

**P**aid Parental leave is a new entitlement funded by the Australian Government to provide up to 18 weeks funded Parental Leave at the National Minimum Wage (currently \$570 per week).

The Paid Parental Leave scheme starts on 1 January 2011. Your role in providing Parental Leave Pay will be voluntary until 30 June 2011. From 1 January to 30 June 2011 the family assistance office will pay your eligible employees direct.

From 1 July 2011, you will be responsible for providing Parental Leave Pay to your eligible employees who give birth to or adopt a child from 1 July 2011. Centrelink will assess if your employee is eligible and will inform you. Your employee needs to register with Centrelink.

What do you need to do?

- Discuss leave intentions with your employee
- Your employee can lodge a claim with the family assistance office up to 3 months before the expected birth/adoption
- You can Pre-Register for the Paid Parental Leave Scheme through Centrelink Business Onlines Services
- You are not obligated but can opt to provide government funded parental leave to the following:
  - Employees that are only receiving up to 8 weeks of parental leave
  - Employees that have been with you for less than 12 months
- Paid Parental Leave funds will be paid to you from the family assistance office. You then need to pay your employee as part of their normal payroll cycle.
  - Tax on this payment is as per normal marginal tax rates.
  - You do not pay 9% superannuation on paid parental leave.
  - Paid Parental Leave is excluded from payroll tax & workcover calculations.

Please call your client manager if you need to clarify your business' obligations on this very new matter.

## PETE'S IN A PICKLE...



It's Prtney fnuny how we can raed tihs einrte snetnece wtih all tehse ltters all out of palce, and we can cnotniue to keep raednig and sitll mekas snece of waht we are raeding. No mttar how mnay tmies you raed tihs oevr and oevr you can sitll mkae snece of it. How is taht pssioible?

*Last Issues solution:*  
7, 4, 6, 5, 8



# ASIC Annual Statements

As your Registered Agent, ASIC issues our office with an annual statement for all companies on our system each year within a few days of its annual review date. The annual review date is the same as the date of registration.

We forward these annual statements to the respective director/secretary of the company. Due to ASIC's strict fee/penalties structure we recommend you take due care to ensure the below 4 step process is carried out in a timely manner each year.

## Annual Statement Checklist

### Step 1 – Check your company statement

Your annual statement will include at least three documents:-

- a company statement which shows a snapshot of the company details as at the review date, such as officeholders, shareholders and address details.
- an invoice statement displaying the amount due and due date for payment of the annual review fee. This invoice statement will also show the total amount owing by the company and if any fees were incurred prior to the issue date.
- Solvency Resolution of Director/Directors

★ Please check this statement carefully.

### Step 2 – Change company details within 28 days

If your company details have changed you must notify us in order for the necessary forms and minutes to be prepared and lodged with ASIC.

Changes are to be lodged with ASIC within 28 days of the company statement issue date, or a late review fee will be charged.

Penalties charged on annual reviews and all other ASIC charges are at a rate of \$67.00 for lodgements up to one month late and \$278.00 for lodgements more than one month late. The same fees apply to late payments mentioned below.

### Step 3 – Pay invoice for annual review fee within 2 months

You must pay the annual review fee shown on the invoice statement you received with your annual statement. This fee will be either \$218.00 for companies or \$41.00 for special purpose companies.

### Step 4 – Pass a solvency resolution

Company directors must pass a solvency resolution within 2 months after each review date. This resolution is prepared by us and doesn't need to be lodged with ASIC but it is important that it is signed by all directors and returned to our office for filing.

★ Tell us about changes when they happen – Its very important!!

You only receive one annual statement for a company each year. However, you must also lodge changes to company details when they happen at other times during the year, so please remember to inform your Client Manager if changes occur.

**KEEP US UP TO DATE!!**

Please ensure you keep us up to date with all your current details.

This can be easily done by contacting your client manager or emailing us at [admin@caseypartners.com.au](mailto:admin@caseypartners.com.au).

## CASEY PARTNERS FOOTY TIPPING COMPETITION

And the winners were.....

1<sup>st</sup> – Andrew Harper 120 tips

2<sup>nd</sup> – Callen O'Brien 117 tips

3<sup>rd</sup> Lynette Cousins – 116 tips

Last – Paul Cousins – 104 tips

Well done to all competitors in 2010. Let's hope the 'Year of the Magpie' comes and goes as painlessly as possible!!





## Insurance

# The Five Biggest Myths

Australia is suffering an underinsurance epidemic driven by misconceptions about life insurance: that it's too expensive or too complicated.

But life insurance should be as integral a part of your family's financial planning as other forms of financial protection. After all, you would be unlikely to insure your car to only half its value. So why do so many Australians have less than half the life insurance cover they need?

It's important for your family's financial wellbeing that you base your decisions on facts rather than myths.

### **Myth 1: I have enough insurance inside my superannuation**

The minimum level of cover provided by your super fund is set with all members in mind and therefore may not be enough to cover your financial obligations. Make sure you contact your super fund to find how much cover you actually have and whether it's sufficient for your requirements.

### **Myth 2: I don't need insurance – the government will look after me if I get sick or injured**

This would be nice but it's not necessarily the case. Centrelink pays a maximum disability pension of \$716.10 per fortnight for singles and \$539.80 (each) for couples. Would this cover your current lifestyle?

### **Myth 3: Life insurance is not affordable**

For most Australians, insurance is very affordable. For example, the typical monthly premium for a 35-year-old male non-smoker applying for \$500,000 of life insurance cover would be approximately \$30, while his female counterpart would pay approximately \$25.

That's peace of mind for less than the cost of a coffee a day. And if you have some existing cover, increasing this to adequate levels will cost you even less.

### **Myth 4: Life insurance companies don't pay claims**

Life insurance companies pay out almost \$10 million every working day in claims to customers. This figure would be even higher if Australians had adequate levels of cover.

### **Myth 5: Most people have enough insurance**

Unfortunately, this isn't the case. In fact, research shows that 60 per cent of families with dependent children do not have enough insurance to cover the household expenses for a year if the family breadwinner were to die. And on average, those who have death cover through their super policy have less than half the level of cover they need.

*For further information, contact **Lisa O'Sullivan CFP®** Authorised Representative of Genesys Wealth Advisers Limited (Representative Number 239815), on 03 9769 9899.*

## *Tips for looking after your Business's Server*

*by Tim Moore, Director of Computer Initiatives Pty Ltd*

When I asked a couple of our engineers what tips and tricks I could pass onto Casey Partner's clients on how to look after their business servers they all replied, "Yes, don't touch them!"

Well that would be the easiest and simplest article or recommendation I have ever given!

Of course, what they meant was that there is nothing simple or easy about looking after a server and that a little bit of knowledge is very dangerous. There are too many variables, too many settings, too many permissions etc that could be changed and lead to all sorts of problems. So, unless you know what you are doing, then hands off please.

Generally, servers should be very reliable and commonly these days IT support companies offer remote monitoring of the server, its processes, updates like anti virus and backups. Many callouts or major problems can be avoided by reputable monitoring services. This usually involves a small program being placed on the server that interfaces with the IT Company's setup. Regular data is sent over the internet on the servers' system state, performance, updates or faults. These can be then be worked on remotely or onsite in the worse case. This is often monitored 24/7.

A good program will provide you, the business decision maker, with summary reports for your information and will give you a good idea of how your server or servers are performing.

I then asked our senior engineer, "What is the single most important item to check on a server?" "BACK UP!!" was the cry! Not just your main data but your system state (this is your system files, your user information, passwords, registry and server software). This ensures that in the case of a total failure a server can be restored quickly and completely (often to different hardware) in the shortest practical time. Don't forget your email store – all those emails, email addresses and contacts – are they backed up too?

A good test is to get a realistic estimate of how long it would take to bring you back on line in the event of a disaster, multiply that number of hours by the number of people who could not gainfully work by their dollar average pay rate plus the cost of hardware and labour to get you going again. It doesn't take much to add up to many thousands of dollars!

That's why it is worth asking these questions now.

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