



Newsletter

PROFESSIONAL ACCOUNTING AND BUSINESS CONSULTANTS

■ SEPTEMBER/OCTOBER 2011

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

Tax Diary

21 October

Annual PAYG instalment notice, lodgment only required if varying the instalment amount or using the rate method to calculate the instalment amount
September 2011 Monthly Activity Statements due date for lodgment and payment (if required)

28 October

September 2011 Superannuation guarantee contributions due date for payment
September 2011 Quarterly PAYG Instalments due date for payment (or variation if required)
September 2011 Quarterly Activity Statements due date for lodgment and payment (if required)

31 October

Income tax returns for all entities where one or more prior year income tax returns were outstanding as at 30 June 2011 (if all outstanding prior year returns have been lodged by this date, the system will reset the 2011 return due dates as per the normal program)

21 November

October 2011 Monthly Activity Statements due date for lodgment and payment (if required)

25 November

September 2011 Quarterly Activity Statements due date for lodgment and payment (if required) lodged through a Tax Agent

1 December

Payment of income tax for taxable large/medium business company and super funds (lodgment of return due 15 January 2012)
Payment of income tax for companies and super funds where lodgment of the income tax return was due 31 October 2011.

21 December

November 2011 Monthly Activity Statements due date for lodgment and payment (if required)

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WE HAVE REVAMPED OUR WEBSITE!

After some time, we have overhauled our website and have made it more informative for our clients. As well as our newsletter we will also have a 'latest news' section to keep you up to date with current issues. Please [click here](#) to have a look around on our new site. The site also includes a secure data transfer portal for uploading and downloading of clients data files.



The R & D Tax Incentive

- Could your idea be innovative and eligible for the tax offset?

On 8 September 2011, the bills associated with the new R&D Tax Incentive received Royal Assent. The R&D Tax Incentive replaces the R&D Tax Concessions.

The R&D Tax Incentive applies to companies research and development activities and expenditure in income years commencing on or after 1 July 2011. Applications for registration of activities undertaken in the 2011-12 income year will open on 1 July 2012.

The R & D tax incentive program will allow:

- a 45% refundable tax offset for eligible companies with an aggregated turnover of less than \$20 million per annum; (equivalent to a 15 cents in the dollar tax benefit)

OR

- a non-refundable 40% tax offset for all other eligible companies. (equivalent to a 10 cents in the dollar tax benefit)

The incentive relaxes the IP rules and creates a greater opportunity to claim. The activities that are eligible include the following:-

- **Core Activities:** These are generally experimental activities that your business may conduct in respect to gaining new knowledge. Core activities can include but not limited to activities whose outcome cannot be known or determined in advance and is based on principles of established science by creating new and improved products in an innovative manner.
- **Supportive Activities:** These are activities directly related to core R & D activities and these must be undertaken for supporting core R & D activities. Examples of supporting activities are activities which directly relate to producing goods or services have the dominate purpose of supporting core activities.

Information sessions in relation to the incentive are being run by AusIndustry and the Australian Taxation Office. For more information in relation to the new R & D tax incentive, please [click here](#).

Meet the Team



Hannah Martindale

Role at Casey Partners:

Hannah commenced her administration traineeship at Casey Partners in 2008. Hannah works in our administration area and is currently completing a Certificate IV in Financial Services (Bookkeeping).

Favourite TV Show: Home and Away (terrible I know!)

Pets: My much loved Border Collies - Cheeks & Chilli Pepper

Favourite Food: Indian.

Favourite Holiday Destination: England; Lucerne, Switzerland & Rome, Italy

Worst food: White Meat

Interests: Socialising with friends and family, Traveling, Horses & SHOES..!!

Paid Parental Leave Scheme

- Technical and Practical Update for Employers

Since we ran an article in our January/February 2011 Newsletter there have been a few changes, but more importantly there has been clarification of what employers need to do if an employee is registered in the scheme.

The Australian Government's Paid Parental Scheme started on 1 January 2011, which may entitle some employees with a child born or adopted on or after 1 January 2011 to be eligible for paid parental leave.

Eligible Employees are to be paid up to the minimum wage per week (currently \$589.40 per week) before tax for up to 18 weeks and this payment can be taken at any time within the first year after the birth of the child.



Eligible Employees include:-

- employees who are employed either full time, part time or casual
- those that have been employed with the business for at least 12 months before the expected date of birth or adoption of their child
- those that have worked for at least 10 of the 13 months prior to the birth or adoption of their child and worked for at least 330 hours in that 10 month period (just over one day a week).

Since 1 July 2011 Centrelink has made payments directly to employers for Paid Parental Leave. From a technical bookkeeping perspective, how should this be accounted for by the employer? This receipt of income from Centrelink should be coded to a new income account called 'Paid Parental Leave', but be careful to not report any GST on this receipt. Also be careful not to include this amount as income at G1 on the BAS.

The employer then has an obligation to make the payment to their employee. You will need to create a payroll category for 'Paid Parental Leave' and create a new expense account for these payments to be separately identified in the profit and loss statement. It is important that you ensure that Annual Leave and Personal Leave are not accruing on Paid Parental Leave and that the 9% Superannuation Guarantee is not being paid either. You can exempt this payroll category for each of these in any payroll package.

PAYG Withholding Tax must be deducted from Paid Parental Leave just like it would a wage to the employee. The gross amount and tax should be recorded at W1 and W2 on the BAS along with all other business wages. Employees must be provided with a payslip showing the Paid Parental Leave separately to other income.

Note that payroll tax and workcover are not payable on Paid Parental Leave. A separate account in the profit and loss statement will make this amount easily identifiable when preparing these returns.

For more information, please visit the following website or contact your client manager for further information.

<http://www.familyassist.gov.au/payments/family-assistance-payments/paid-parental-leave-scheme/>

Be sure to meet your super obligations to your employees on time!!

Generally, you have to pay super for an employee if they're between 18 and 69 years old and you pay them \$450 or more (before tax) in salary or wages in a month. It doesn't matter whether the employee is full time, part time or casual. Currently, you are required to pay a 9% superannuation guarantee contribution.

The super guarantee contributions for your employees have to be paid for each eligible employee to the correct super fund at least four times a year, by the quarterly cut-off dates mentioned below.



Note that once the payment has been cleared by the super fund, that is when you are eligible to claim a tax deduction.

It is important to ensure you meet the payment cut-off dates as the ATO are clamping down on unpaid superannuation and can now issue a Director Penalty Notice for unpaid superannuation liabilities and making directors personally liable.

<i>Period</i>	<i>Payment cut off date</i>
1 July - 30 September	28 October
1 October - 31 December	28 January
1 January - 31 March	28 April
1 April - 30 June	28 July

Cous's CORNER...



Wedded Bliss

A little boy was attending his first wedding. After the service, his cousin asked him, "How many women can a man marry?"

"Sixteen," the boy responded. His cousin was amazed that he had an answer so quickly.

"How do you know that?"

"Easy," the little boy said. "All you have to do is add it up, like the Bishop said. 4 better. 4 worse. 4 richer. 4 poorer." = 16.

Freaky Facts...

Did you know....

No word in the English language rhymes with month, silver or purple

If you are right handed you will tend to chew food on your right side. If you are left handed, you are likely to chew food on your left side.

Human fingernails grow nearly 4 times faster than toenails.

Beware of hoax ATO emails!!

We have heard that some of our clients have been receiving fraudulent emails that claim to be from the Tax Office offering refunds clients. Emails that are circulating may have the subject title '**Australian Taxation Office - Notification**' or '**Australian Taxation Office - Please Read This**'.

These emails tend to ask you to click on a hyperlink in the email and ask you to provide personal information, such as a credit card, tax file number or bank details. The Tax Office have never asked people to provide credit card details or personal information via an email and the ATO will usually contact us as your tax agent to handle any matters on your behalf.

We ask that our clients be careful and take a cautious approach when opening these emails and if it is not legitimate, then delete these emails. Remember, if the email sound too good to be true, it probably is!

Audit Shield Service – Are you covered?

Now is the time to renew or take out Tax Audit Insurance.

Audits, reviews and investigations conducted by the Australian Tax Office (ATO) and other state and federal government agencies are significantly increasing to ensure business and tax payer compliance with various tax and legislative requirements. These include Income, Land and Payroll Tax, GST, FBT, Record Keeping, Workers Compensation, Employer Obligations, Superannuation Guarantee and Self Managed Superannuation Fund Compliance amongst others.

Now more than ever, Individuals, Businesses and Self Managed Superannuation Funds are at risk of being selected for a random audit or review.

If your business or individual return is subjected to a random audit, review or investigation, you are responsible for the costs involved in providing the required information. Even the simplest enquiry can require hours of work. In multiple years or multiple companies and trusts, thousands of dollars in accounting and legal fees can be incurred. The cost of being properly represented in these matters can be quite considerable depending on the length of time involved.

Tax Audit Insurance covers all costs (professional fees) up to a prescribed limit (with no excess) when responding to, or representing you in an audit, review or investigation.

These include not only our fees, but also legal fees, bookkeeping fees and specialist professional advisor fees (e.g. quantity surveyors, valuers, and actuaries).

All of our clients can take advantage of the Audit Shield Service. Different levels of cover are available for:

- salary and wage earners;
- businesses or business groups; and
- Self Managed Superannuation Funds.

For further information, please contact Michelle Stanton on 03 9707 2788.

Retire your debt, or retire with debt?

More and more Australians are carrying debt into retirement. So is it a good or a bad thing?

According to the Financial Stability Review which the Reserve Bank (RBA) released early in 2011, increases in debt owed by households aged 55 and over accounted for almost two-thirds of the increase in aggregate debt in 2008/09, even though the over 55s make up only one fifth of all households with mortgages.¹

This group outstripped the younger households on two fronts: a greater share of households with debt, and stronger growth in their average loan balance.

The RBA says this suggests that a greater number of households are carrying debt as they approach the traditional early retirement age than was the case a few years ago.

There are a number of contributing factors. The RBA cites less downsizing by older households, larger mortgages which take more time to repay, increased use of reverse mortgages, and people working longer.

The downturn in downsizing might well be attributed to children living at home longer, while divorce also derails many a retirement plan. All this begs the question: should you strive to pay off your debt at or before retirement, or is there any harm carrying it into retirement?

Planning ahead

Whether you are retired or not, being debt-free is generally the preferred option, and planning ahead should go some way to making this a reality. As with all things financial, it comes down to budgeting for the present and planning for the future. The sooner you plan, the greater your chances of achieving a debt-free retirement.

Budgeting will help you work out whether you are living beyond your means. It's worth noting that just like compound interest can improve your financial wellbeing, compound debt can destroy it, making debt-free retirement almost an impossible dream.

Step one is to pay off debt that's not tax-deductable, especially borrowings on depreciating assets like cars. First to go should always be your credit card debt, as that is likely to carry the highest rate of interest.

Your home loan is also non-deductible debt but hopefully it isn't a depreciating asset. You might want to consolidate all your outstanding debt into a lower interest rate like a mortgage, but you need to make sure that years later you're not still paying off that holiday you took in 2011!

Good debt is that which is used to generate income – such as buying an investment property, managed funds or a share portfolio – but this may prove less effective once you are in retirement.

One form of borrowing used to generate income is negative gearing, and it is best suited for those who are still working full time. As a retired couple in 2010/11 can have their tax-free super pension and earn up to \$53,360 before paying additional tax, then it's unlikely there would be much benefit from negative gearing in retirement.



A super way to clear debt

To minimise or eliminate your debt level in retirement, you can use your superannuation as part of your strategy.

You may even deliberately choose this path because there is a sound argument for salary sacrificing into super prior to retirement, as an alternative to paying off your mortgage. You can then use your tax-free super money – once you have retired and are beyond the age of 60 – to pay off your mortgage.

The strategy involves putting money into your super up to your concessional cap – \$50,000 if you are over 50; \$25,000 if you are under 50 – as you only pay 15 per cent tax on that money rather than your marginal rate.² That way, every \$100 contributed to your super before tax will give you \$85 to invest for your retirement. Once you retire and turn 60 then you can pay off any remaining mortgage balance using tax-free money from your super. And along the way you'll have also built up your retirement savings.

By holding back on your mortgage payments, you've created more chances to build up your retirement savings. Then once you retire and turn 60 you can pay off any remaining mortgage balance using tax free money from your super.

By contrast, if you pay off your mortgage while you are still working you are using your after-tax income. So for every \$100 you earn you may only have as little as \$53.50 to clear your home loan should you be on the top tax rate.

The price of debt

Debt has a price, and that price is the interest you pay on it. If your risk profile is conservative then you are probably better off clearing your debt as the income you earn on your investments will often be less than what you would pay in interest on the loan.

If you are a more aggressive investor then there may be some argument to carry the loan forward but in an ideal world, plan to be debt free in retirement so you can really enjoy the good things in life.

¹ <http://www.rba.gov.au/publications/fsr/2011/mar/html/contents.html>

² These concessional caps are correct for the 2010/11 and 2011/12 financial years. However, they are subject to change from 1 July 2012.