Globe Accounting Pty Ltd

Certified Practising Accountants

February 2007 Newsletter

Hello and Welcome to our first newsletter for 2007.

Last month we welcomed Mary-anne Driver to our team. As most of you know, Mary-anne is Peter's wife so we are well and truly keeping it in the family. Mary-Anne joins Maureen in reception and administration and Erin has moved into our bookkeeping and GST area to assist Dale.

We here at the Globe are planning a huge 2007. After much careful thought, we have decided to change our practice software system. Many of you would be aware that restructuring by our software supplier led to substantial down time, and systems that didn't do what they were supposed to! This has resulted in many frustrations for us and some clients. We are not prepared to gamble that the software provider has sharpened up their act, so we will move to Handisoft by the end of the financial year.

As you can imagine, this will lead to a heavily increased workload at probably our busiest time of the year, but we believe the initial pain will be more than made up for by the efficiency of the new system going forward. We have put strategies in place to ensure that any disruption in our service to you is kept to an absolute minimum. Please don't hesitate to contact us if you have any queries or concerns at any stage.

The change in software will also mean that the web cashbook system will phase out over time. We have found a reasonable alternative that will be cost neutral to you, the user, and bring with it some time efficiency as well as increased reporting functionality. We will contact each client who currently uses Web Cashbook to give you further details and set out your options.

In addition, we are about to upgrade our website. We hope to incorporate a section to feature client's businesses on a rolling basis eg "Globe's Feature Business of the Month". If you would like to increase your business's exposure and take part in this activity, let us know and we will contact you with more details closer to the event.

2007 will see our client seminars continuing with topical issues such as superannuation and tax planning.

We wish you and your family a very happy and prosperous 2007 and we look forward to continuing our working relationship with you.

Professional Investment Services Pty Ltd

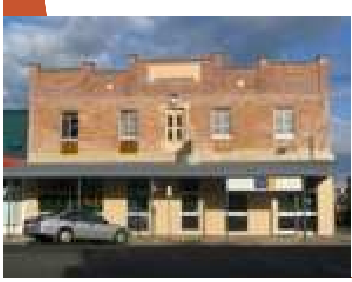
As you are aware, Peter is now an authorised representative of Professional Investment Service Pty Ltd (Australian Financial Services Licence No 234951). Through this organisation, we have the ability to attract representatives from within the financial investment services industry to present seminars in our office.

This provides you with a good opportunity to learn more about the type of managed investments available and investing in general. The following seminars are already planned include an update on the changes to superannuation legislation and information regarding some tax effective investments.

28th February 2007	Superannuation Update with Navigator Barossa Vines
27th March 2007	Superannuation Update with Colonial First State Brooklyn Park Olives

We are keen to attract speakers who are of interest to you. If you would like to hear from someone on a particular subject, please let us know and we will try to arrange a suitable speaker.

If you would like to attend one of the above seminars or be invited to attend a future seminar or would like to discuss your financial needs, please call and we will be pleased to help.



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What's in Store for You & Your business 07?

Standardising the definition of small Business

The Government announced that it will standardise the eligibility criteria for small business tax concessions from 1 July 2007. From this date, any small business with annual turnover of less than $2 million will be able to access the GST, STS, CGT, FBT and PAYG small business concessions.

Businesses with existing access to CGT, FBT or PAYG small business concessions will not lose out under the new arrangements. Those benefits will apply to businesses that meet the new small business definition or that meet other existing eligibility criteria.

Unfortunately, the devil is often in the detail and we won't see the legislation until March.

ATO audit activity

The Tax Office has made no secret of its audit targets.
Employers continue to be in the spotlight with a focus on PAYG withholding issues such as poor record keeping practices and a lack of understanding of the less common issues such as termination payments
In addition, many employers are failing to correctly identify fringe benefits and as a result, not meeting their obligations. This is very common for fringe benefits related to motor vehicles and expense payment benefits.

Other targets include:

- Low documentation loans. The ATO is data matching to ensure that the information provided to the financial provider matches what has been declared on tax returns.
- Landlords. More of the same scrutiny for investment property owners. A particular focus is on the deductions claimed for property expenses, in particular repairs and maintenance.
- Capital gains made on shares and property.

Changes to capital gains tax & small business

A number of concessions exist to help reduce the impact of capital gains tax (CGT) on the sale or transition of small business. In some cases, the concessions enable small business operators to reduce their CGT liability to zero.
As you would understand the concessions are popular but the complexity of the qualifying tests mean that many fail to access the concessions.
In 2007, these small business CGT concessions should be easier to access. If you are selling a business or thinking about your business structure to prepare for succession, then you will want to be aware of these concessions and changes.

The problem with all of these changes is that we have the basics from the press releases and Budget papers but no legislation to tell us exactly how they will apply. In some cases the changes are already operational despite the fact that we don't have the detail. In other cases the changes commence on 1 July 2007.

The most important changes announced are:

- Currently, to access many of the small business CGT concessions, a company or trust needs to have a "controlling individual". This is a person who holds at least 50% of the rights in the company to dividends, capital and voting power. This has been a problem for some businesses where there were more than two shareholders. The new rules only require a 20% stake. This will open up the concessions to more small business owners.
- The current maximum net asset test - the maximum value of assets that the company or trust and its related entities can hold to qualify for the concessions - will be increased from $5 million to $6 million.
- Where a business has entered the Simplified Tax System (STS) it will not be subject to a maximum net asset test.
- To access the concessions the assets being sold need to meet the requirement of being an "active asset". There are definitions on what constitutes an active asset but essentially it is an asset connected with and used by the business. Where an asset ceased to be an active asset and was later sold, it's likely to fail this test and lose access to the concessions. Under the Budget changes, an active asset that is sold within twelve months of ceasing to be an active asset will still qualify for the concessions.

The small business CGT concessions are valuable if you can access them. In many cases they allow you to reduce your tax exposure on the sale of a business to zero. In some cases the timing of your business sale could produce a very different tax result. Make sure that you talk to us before you commit to any transaction.

Work Choices

The record keeping requirements for employers come into full force on 26 March 2007 when workplace inspectors start issuing fines for non-compliance.

Employers need to ensure they keep the appropriate documentation including accurate time records for casual staff and of over time and penalty rates.

Major superannuation reform

2007 will see a significant change to superannuation. From 1 July, the way superannuation is taxed and much of the complexity of the existing system will be removed.

If you are within 10 years of retirement, these changes are likely to impact on the way you manage your super and the investment decisions you make. Here's a summary of the key changes:

- From 1 July, the tax currently imposed when you cash out your superannuation as a lump sum or pension will be removed for people aged 60 and over (where the superannuation benefit is from a taxed source).
- The reasonable benefits and age based contribution limits will be removed from 1 July.
- There will be greater flexibility as to when and how you take your superannuation. At present, lump sum payments and pensions are taxed differently. The new rules streamline the treatment of lump sum payments and pensions to remove this distinction.
- From 1 July, if you are self-employed you will be able to claim a full tax deduction for your super contributions.
- Currently, the self employed receive a full deduction for the first $5,000 of super contributions and then 75 percent after this.

For those with self managed super funds, it will be essential to update your trust deed to ensure that you can benefit from the changes. As your trust deed determines how benefits can be paid and to whom, your deed needs to take account of the changes before you can