

ACCOUNT ABILITY

EDITION 1 - 2010

WHAT'S INSIDE

- New Income Tests
- Burial of the Bucket Company
- Fair Work Act 2009
- Tax Planning for the 2009/10 Year
- MBO Financial Group Reception
- ATO Trials Payments By Credit Card

INTRODUCING MBO FINANCIAL GROUP

In 1992 Geoff McLaren and Ross Buzolich commenced their accounting practice together. Almost immediately, they realised that there was not only a need to serve their clients accounting and tax requirements, but also to deliver timely and independent financial advice as well. Initially, these services were offered through Count Wealth Accountants, before Geoff and Ross took on the RetireInvest franchise in 1994.

Due to the success and growth of both the accounting and financial planning practices, there was a need to admit new partners and in 2001 Michael O'Keeffe became the newest partner of the accounting practice. Since this time the practice has been known as McLaren Buzolich O'Keeffe, or MBO Accountants.

John Brereton joined the RetireInvest practice in 2001, firstly as a financial planner, and then became a practicing partner in 2003. The need to appoint a dedicated financial partner showed the exceptional growth of this side of the practice.

The financial planning practice was again strengthened when Paul Looney became a partner. Paul had been working as an accountant with McLaren Buzolich since 2001, before later working as an investment advisor and then becoming partner in 2007.

From these humble beginnings in 1992 the practice has expanded from the provision of general tax and accounting advice to providing services including accounting and taxation advice for complex, multiple entity structures; year end tax planning; capital gains tax; FBT and GST issues; BAS preparation; Banklink services; the computerisation of clients' books; periodical accounting; benchmarking; auditing and the administration of self managed super funds.

During the same time the financial planning side of the practice has had to deal with ever increasing complexity in investment markets, as well as growing Centrelink constraints and a more investment savvy clientele.

Since 2001, John and Paul have added a full time personal insurance expert to their team, and they now offer share broking, managed fund investing, superannuation and retirement advice and any other service that clients may require.

While MBO's relationship with RetireInvest has been fruitful for our clients, we have felt that since the acquisition of ING (the parent company of RetireInvest) by ANZ, the impartiality of our investment advice has been reduced. For this reason, we have decided to bring the accounting and financial planning practices together under the one banner, "MBO Financial Group", which will hopefully provide clients with a one-stop-shop for their accounting and investing needs.

We are excited by the opportunity to become independent of RetireInvest and trust that the change will be of benefit to all our clients for not only now, but for years to come.



NEW INCOME TESTS

NEW LAWS HAVE COME INTO EFFECT TO CHANGE THE INCOME TESTS THAT ARE USED BY THE AUSTRALIAN TAX OFFICE, CENTRELINK AND OTHER GOVERNMENT AGENCIES.

These changes do not affect an individual's assessable or taxable income. They do, however, affect the income tests for a range of benefits and obligations.

The new income tests will be applied to the way a taxpayer's income is calculated when determining their eligibility to receive certain tax offsets and some government benefits and/or their liability to pay others.

The new income tests do not alter the income tax thresholds or the way their assessable or taxable income is calculated. However, the income tests may affect the amount of tax they are liable to pay.

THE TESTS AND THEIR INCOME COMPONENTS

There are a number of income tests. These include:

- Adjusted taxable income
- Rebate income
- Income test for mature age workers tax offset
- Income tests for super benefits
- Income for (Medicare levy) surcharge purposes
- Income test for Higher Education Loan Programme and Student Financial Supplement Scheme repayments

Both Centrelink and the Child Support Agency will now use *Adjusted Taxable Income* for their assessments.

The following income components are used to calculate your adjusted taxable income:

- Taxable income
- Adjusted fringe benefits (reportable fringe benefits x 0.535)
- Tax-free pensions or benefits
- Target foreign income (income from overseas not reported in your tax return)
- Reportable super contributions
- Total net investment losses (includes both net financial investment losses and net rental property losses)

less

- Deductible child maintenance expenditure

MBO Financial Group advises that it will be rare that the Tax Office, Centrelink and other organisations will rely solely on your taxable income. You may find that your tax offsets or Centrelink benefits may increase/decrease accordingly.

BURIAL OF THE BUCKET COMPANY

IN THE PAST, MANY TRUST DEEDS HAVE ALLOWED FOR THE DISTRIBUTION OF PROFITS FROM THE TRUST TO A COMPANY BENEFICIARY, KNOWN AS A BUCKET COMPANY.

In a lot of cases, the company's sole purpose was to receive these distributions on paper only, with no money actually flowing from the trust to the company. The Australian Tax Office has now issued a Draft Taxation Ruling TR2009/08 which, generally speaking, will disallow these types of distributions unless the company physically receives the money from the trust. In addition, if the company is owed money from the trust, the loan will be deemed to be a dividend and will be taxed accordingly.

As this is only a draft ruling it is possible that the Australian Tax Office will change its view and the ruling will not be passed. However, it seems likely that it will be passed, effectively spelling the end of the bucket company.

Once the final ruling is released, MBO will be in a better position to advise on the requirements for all bucket companies in dealing with their loans, dividends and related matters.

FAIR WORK ACT 2009

THE FAIR WORK ACT 2009 IS NOW FULLY OPERATIONAL IN ITS ENTIRETY AFTER THE NATIONAL EMPLOYMENT STANDARDS, THE FINAL STAGE, COMMENCED ON JANUARY 1, 2010.

The major issues that the National Employment Standards address include the following:

1. The maximum ordinary weekly hours of work
2. Requests for flexible working arrangements
3. Parental leave
4. Annual leave
5. Personal leave, carers leave and compassionate leave
6. Community service leave
7. Notice of termination and redundancy pay
8. Long service leave
9. Public holidays
10. Fair work information statement

MBO Financial Group highly recommends that all employers make sure that they understand their rights and obligations under the Fair Work Act 2009 and its interrelation with their industry's continuing awards.

TAX PLANNING FOR THE 2009/10 YEAR

While the Global Financial Crisis has been detrimental for some businesses, its effect on others is unknown, and many businesses have still seen high profitability so far in 2009/10. MBO Financial Group recommends that all business clients have their tax planning requirements assessed before the year end.

Contact your MBO Accountant today on 5561 3388. It could be a phone call that saves thousands.

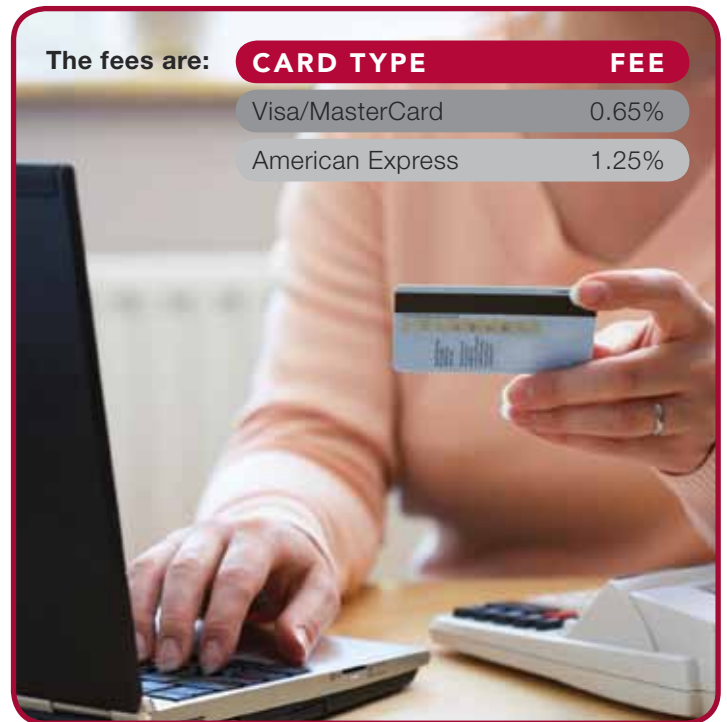
ATO TRIALS PAYMENTS BY CREDIT CARD

THE TAX OFFICE IS CURRENTLY TRIALLING PAYMENT BY CREDIT CARD FOR ALL TAXATION LIABILITIES BETWEEN \$10 AND \$10,000.

To make a credit card payment, using the Government's EasyPay website or telephone service, taxpayers will need:

- a Visa, MasterCard or American Express card; and
- their ATO electronic funds transfer EFT code

There will be a card payment fee which applies to transactions made using this service. This fee is the non-GST component of the fee the Tax Office incurs from its banker for these transactions.



The fees are:

CARD TYPE	FEE
Visa/MasterCard	0.65%
American Express	1.25%

MBO FINANCIAL GROUP RECEPTION

SOMETIME WHEN PHONING MBO RECEPTION AND SPEAKING TO 'ANGELA' SHE MAY SOUND DIFFERENT TO THE LAST TIME YOU SPOKE TO HER.

This is because MBO Financial Group has two different Angelas at our reception desk, Angela Duffy and Angela Sedgley.

Generally, Angela Duffy will answer the telephone for MBO Accountants, whilst Angela Sedgley answers the telephone for MBO Financial Planning, although they may take calls for the other Angela if that person is attending to other clients.

We appreciate that this can cause confusion on occasion but ask that you understand that we do have two Angelas at reception.



ANGELA DUFFY ▶

▶ ANGELA SEDGLEY

SUPERANNUATION – THE SOLE PURPOSE TEST

TRUSTEES OF A SUPERANNUATION FUND NEED TO ENSURE THAT ANY INVESTMENT OR ACTIVITY BY THE FUND COMPLIES WITH THE SOLE PURPOSE TEST.

Broadly, the sole purpose test requires a fund to be established for the sole purpose of providing benefits to its members in retirement.

The superannuation legislation contains investment restrictions. Complying with the investment rules is crucial for achieving and maintaining the status of a complying superannuation fund and thereby qualifying for income tax concessions.

The following checklist sets out the common assets which trustees may or may not acquire:

BUSINESS ASSETS

Businesses	No
Business plant and equipment	No
Cray pots	No
Franchise rights	No
Hobby farms	No
Taxi licences	No
Water rights	No

FINANCIAL INVESTMENTS AND SECURITIES

Bank deposits acquired at market value	Yes
Listed securities acquired at market value	Yes

LIFE INSURANCE POLICIES

Acquired at market value and the in-house asset rule is not exceeded*	Yes
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OTHER ASSETS

Assets acquired under an SMSF merger	Yes
Assets acquired at market value where the Tax Office gives written notice that the assets are not in-house assets	Yes

PERSONAL ASSETS

Artwork	Special conditions apply
Cars, including veteran or vintage cars	Special conditions apply
Golf club memberships	No
Other collectables (eg. Jewellery, stamp collections and wine)	Special conditions apply

PROPERTY

Business premises acquired at market value that are used wholly for business purposes	Yes
Business premises rented property acquired at market value used wholly for business	Yes

RESIDENTIAL PROPERTY

House containing a doctor's surgery and residential property where a member or associate derives a benefit	No
Holiday houses where a member or associate derives a benefit	No
Residential property to be occupied by a member or associate	No
Residential rental property	Yes
Farms acquired for market value where no more than two hectares are reserved for private use	Yes

*In broad terms, a regulated superannuation fund is restricted from having more than 5% of the total market value of its assets invested in in-house assets. An 'in-house asset' includes investment in a related party of the fund.