

R J C E V A N S — & Co —



Accountants • Tax Agents • Auditors



NEWSLETTER • DECEMBER 2011



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Editorial

Welcome to our December Newsletter.

Around this time of the year there is a good chance that two things are occupying the minds of most Australians – Christmas and holidays.

Christmas this year will occur against a backdrop of downbeat assessments of many economies, heightened uncertainty and financial market instability, due to US and European sovereign debt issues.

Despite this, Christmas is still Christmas. The very word brings a sense of joy.

We may not enjoy the rush, the shopping and general Christmas preparations. It can be a hectic time of year.

While much of the focus in the lead up to the day is on the commercial aspect, the nature of the celebration is based in simplicity.

Joy is the true gift of Christmas, not expensive gifts. We can communicate this choice simply - with a smile, a kind gesture, a little help, forgiveness.

The joy of Christmas is contagious. It's the season to embrace and enjoy the spirit of Christmas.

So that the team at RJC Evans & Co can spend some time with family and loved ones, our office will be operating on a skeleton staff basis, during the Christmas to New Year holiday period. The office will be closed on Friday the 23rd of December and on the stipulated public holidays.

Perhaps this year we could consider what would have happened if it had been three wise women rather than three wise men at the birth of Jesus. They would have:

- Asked for directions
- Arrived on time
- Helped deliver the baby
- Cleaned the stable
- Made a casserole
- And brought practical gifts

Merry Christmas.

Andrew Evans



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Motor Vehicle Cost Base Limit for 2011-2012 Financial Year

The Motor Vehicle Cost Base limit for the 2011-2012 financial year is **\$57,466.00**. This is unchanged from 2010-2011.

The car limit is used to work out decline in value deductions of certain cars under the income tax law. It is also used to set the luxury car tax threshold and is used to determine if luxury car tax is payable.

The fuel-efficient car limit for the 2011-2012 financial year is **\$75,375.00**.

Fuel Tax Credit Rate Change For Heavy Road Vehicles

From 1 July 2011, the fuel tax credit rate for heavy vehicles that use fuel such as diesel or petrol and travel on public roads is 15.043 cents per litre.

A heavy vehicle is considered to have a Gross Vehicle Mass (GVM) greater than 4.5 tonne. Diesel vehicles acquired before 1 July 2006 can equal 4.5 GVM tonne.

Small Business: Instant Asset Write-off and Simplified Depreciation

On the 2nd of May 2011, the Federal Government announced instant asset write-off and simplified depreciation changes for small business.

The changes will enable small businesses to write-off all depreciable assets where the taxable purpose proportion is less than \$5,000 in the income year in which they start to use the asset, or have it installed ready for use.

The amount was subsequently increased to \$6,500 as part of the carbon pricing announcement.

It will also allow most other assets to be depreciated in a single pool at a 30% rate. The change will apply from the 1st of July 2012.

Goods Taken from Stock for Private Use

The Tax Office has updated the amounts the Commissioner will accept for 2010-2011 as estimates of the value of goods taken from trading stock for private use by taxpayers in certain specified industries. For example, for a takeaway food shop, the Commissioner will accept \$2,970 (excluding GST) for each adult (or child over 16 years of age). Note that the Tax Office intends to adjust the values annually.

2010/11 Medical Expenses Tax Offset

Changes have been made to the current Net Medical Expenses Tax Offset (NMETO) for the 2010/11 financial year. The lower threshold, before any rebate is available, has been increased from \$1,500 to \$2,000. The amount of rebate received will remain at 20% for amounts over \$2,000. The NMETO is calculated as follows:

$$\text{NMETO} = ([\text{Net Medical Expenses}] - [\text{\$2,000}]) \times 20\%$$

The net medical expense is the amount that you paid less any refund received through Medicare or your health insurance provider. This is also known as the Gap.

The NMETO is a non-refundable tax offset. Therefore, this tax offset can only reduce the amount of tax payable. You do not receive credit if your rebate exceeds the tax payable. The expenses eligible can be for yourself, spouse or dependent children under the age of 21. Therefore the taxpayer within the family group with the highest income should be the claimant of the NMETO.

The expenses that do qualify for the NMETO are payments to:

- Qualified doctors, nurses or chemists and public or private hospitals
- Dentists
- Orthodontists and optometrists
- Carers (only who look after the blind or confined to a bed or wheelchair)
- Payments to nursing homes (see further information below)
- Therapeutic treatments (a referral for specific treatment is required)
- Medical aids such as:
 - Prescription spectacles, contact lenses and laser eye surgery
 - Artificial limbs
 - Hearing aids
 - IVF programs
 - Maintaining a trained Guide Dog

The expenses that do **NOT** qualify are:

- Cosmetic operations/services for which Medicare is not payable
- Therapeutic treatments without a doctors referral (suggestion's for treatment do not qualify)
- Chemist type items (pain relief tablets) when purchased in retail outlets or health food stores
- Private health insurance premiums
- Inoculations for OS travel
- Non-prescribed vitamins
- Life insurance medical exams
- Funeral expenses
- Ambulance subscriptions or charges
- Travel or accommodation expenses associated with medical treatment.

Payments to nursing homes or hostels (not retirement homes) are eligible for NMETO when the payments are made to approved care providers and are made for personal or nursing care. These payments are only eligible when the recipient has been assessed by an aged care assessment team (ACAT) and require either low or high level care. Payments made just for accommodation or payments for accommodation bonds are not eligible.

This is the first change to the NMETO since 2002/03. However, the NMETO is going to be indexed annually to the Consumer Price Index (Inflation) from the 1st July 2011.

Self Managed Superannuation Funds (SMSF)

Interesting Statistics

- SMSF Sector is Australia's largest Superannuation Sector by number of funds and by assets. As at September 30th 2010 there were about 434,000 SMSFs, with more than 830,000 members.
- Approximately 2,000 new SMSFs are setup each month.
- \$418 billion worth of assets reside in Australia's SMSFs. This is approximately 32% of the total superannuation pool of assets in Australia.
- The majority of SMSFs – about 71% - are structured with individuals appointed as trustees. SMSFs can also be structured with the appointment of a corporate trustee.

Collectables in Self Managed Superannuation Funds.

Long-awaited regulations governing collectibles held by DIY super funds come into effect on 1 July 2011.

Rules apply to

- Artwork
- Jewellery
- Antiques
- Artefacts
- Coins and medallions
- Stamps
- Rare Folios, manuscripts or books
- Memorabilia
- Wine
- Cars
- Recreational boats
- Membership of sporting or social clubs

Rules Prohibit

- Funds leasing collectibles to related parties
- The storage of collectibles in the private residence of a related party.

Rules Demand

- The decision regarding storage of collectibles to be documented
- That a collectible be insured within seven days of its acquisition

Please contact our office if you have any concerns.

China by Numbers 1.3 Billion – Population

160 million	Number of motor vehicles
7 million	Number of vehicles 20 years ago
10 million	Cars sold per year
24	Cars per 1,000 people (G7 49)
0 km	Kilometres of expressway before 1988
64,374 km	Kilometres of expressway in 2010
80 km/h	The national speed limit

*Source Mazda – The Emotion of Motion Issue 10

Minimum Account Based Pension Withdrawal for 2011-12

55 to less than 65	3%
65 to less than 75	3.75%
75 to less than 80	4.5%
80 to less than 85	5.25%
85 to less than 90	6.75%
90 to less than 95	8.25%
95 or more	10.5%

Changes to the Repayment Bonus for Voluntary Repayments

From 1 January 2012, the Government will lower the Higher Education Loan Program (HELP) voluntary prepayment bonus, applied to payments of \$500 or more, from **10% to 5%**.

If you make a voluntary repayment of \$500 or more on or before 31 December 2011, you will receive a bonus of 10%. Note that the bonus is 10% of the value of the payment made, not 10% of the outstanding debt. You will not receive a bonus on repayment amounts that exceed the balance of your HELP account.

Voluntary repayments of \$500 or more received after 31 December 2011 will attract a bonus of 5%. Note that the bonus is 5% of the value of the payment made, not 5% of the outstanding debt. You will not receive a bonus on repayment amounts that exceed the balance of your account.

Carbon Tax to Commence on the 1 July 2012

The Prime Minister has announced details of the Government's plans to put a price on carbon. The plan, to commence on 1 July 2012, proposes to set a price of \$23.00 for each tonne of carbon pollution released into the atmosphere by Australia's biggest polluters. It is proposed that around 500 businesses will be required to pay for their pollution under the carbon pricing mechanism. The Prime Minister also announced tax cuts to assist households and support measures for businesses to assist them in adapting to the new carbon tax. Although the Carbon Tax Scheme will not commence until next year, businesses should consider how they may be affected both directly and indirectly by the scheme and whether they are able to access some of the compensation and support measures announced as part of the scheme. Please contact our office for any assistance.

Car Fringe Benefit Taxation Change

There has been legislative change to simplify the method for determining the taxable value of car fringe benefits. Broadly, the change will introduce a flat 20% rate to replace the current method which, according to the Government, encourages people to drive their vehicles further than they need to in order to obtain a larger tax concession.

TIP: The changes affect salary-sacrificed or employer-provided vehicles. If you think the changes affect you, please call our office.



Superannuation – Employer Legal Obligations

Following on from an article in our September 2011 newsletter entitled, Common Superannuation Mistakes made by Employers, further information is provided in response to a series of questions surrounding this topic.

How Much To Pay?

The minimum superannuation amount an employer has to pay is 9% of each eligible employees earnings. An employee's earnings is generally their ordinary times earnings.

Some workplace agreements specify more than 9% and wider eligibility for superannuation payments.

Generally, you have to pay superannuation for your employees if they:

- Are aged between 18 and 70.
- Are paid \$450 (before tax) or more in a calendar month.
- Work full-time, part-time or on a casual basis.

You may also have to pay super if the employee:

- Is under 18 years of age.
- Earns \$450 or more (before tax) in a calendar month.
- Works full-time, part-time or on a casual basis for more than 30 hours in a week.

Which Fund?

Employers must offer a choice of superannuation fund to all eligible employees. Generally, an employee will not be eligible to choose their own fund if:

- They are employed under the terms of a workplace agreement that specifies the super fund/s into which payment must be made
- The employee is a member of a defined benefit fund and certain other conditions are satisfied (e.g. the fund is significantly in surplus)
- The employee is a member of a public sector fund

Standard Choice Form

Eligible employees must be provided with a standard choice form within 28 days of:

- Commencing employment
- A written request (unless the employer has provided the standard choice form within the past 12 months to the employee)
- The employer becoming aware that they are unable to contribute to the employees chosen fund or becoming aware that the fund has ceased to be a complying fund
- A change to the employer fund

If an eligible employee fails to exercise their choice the form must indicate which default fund contributions will be made to on their behalf.

When Employees Do Not Choose

Where an employee does not exercise choice or they failed to provide sufficient detail to enable a choice to be exercised an employer is required to pay contributions into a default fund.

Industrial Awards specify the default fund or funds which an employer must contribute to. In certain circumstances, complying default funds that were in place prior to 12th of September 2008 continue at specific work places.

Default Fund List

On the 1st of January 2010 new modern awards came into force. These awards specify which superannuation funds an employer must make contributions into when an eligible employee fails to exercise choice of fund.

Tax File Numbers

Employers are required by law to pass their employee's Tax File Numbers (TFN) onto their superannuation fund for authorised purposes. Employers must quote an employee's TFN by no later than:

- The end of the 14th day after the date the employee quotes their TFN to the employer or;
- The end of the day on which the employer makes the first superannuation contribution for that employee.

An employer can provide a TFN through a fund membership application form completed by their employee, or via a contribution advice.

Australian Government Guarantee Scheme for Large Deposits and Wholesale Funding

The Australian Government Guarantee Scheme for large deposits and wholesale funding (The Guarantee Scheme) was announced by the Government on the 12th of October 2008 and formally commenced on the 28th of November 2008. The Guarantee Scheme closed for new liabilities at the end of March 2010.

Large deposits and wholesale liabilities guaranteed under the Scheme as at the 31st of March 2010 remain guaranteed, for a fee, for the relevant term.

Separate arrangements will continue to apply for deposit balances. However, from 1st of February 2012 the \$1,000,000 per customer per institution Government Guarantee will reduce to \$250,000. This Guarantee will continue to operate without a charge.

Telephone Book Numbers

The current level of national debt in many countries is often referred to in news broadcasts. It is sometimes difficult to comprehend these numbers.

A recent answer to a question in the, "What's Your Problem?" section of The Advertiser provided some guidance in comprehending these debt figures.

The question centered on how many millions are in a trillion?

The answer provided a logical sequence to understanding these numbers which is worthy of repeating.

A million can be shown as 1,000,000 or 10^6 . A billion is a thousand million, which can be remembered simply by adding three more zeros: 1,000,000,000 (10^9).

A trillion follows the same pattern: it is a thousand billion, which is 1,000,000,000,000 (10^{12}).

Therefore a trillion is a million million.

Flood Levy Applies to Some Superannuation Withdrawals in 2011/12

It should be noted that in making any withdrawals from superannuation the Flood Levy may apply in some circumstances. Withdrawals from superannuation by clients under age 60 will incur the Flood Levy as the amount of the taxable component withdrawn will be included in taxable income. In some cases it may be worth delaying the withdrawal to next financial year to prevent Flood Levy applying.

Clients aged 60 or over will not have the Flood Levy applied to superannuation withdrawals as it is not included in taxable income.

The Flood Levy applies to taxable income in 2011/12 exceeding \$50,000.

Taxable Income	Flood Levy on this income
\$0 - \$50,000	Nil
\$50,001 - \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1 cent for each \$1 over \$100,000

Business Activity Statement (BAS) Reminder

The BAS for the December 2011 quarter is due by the 28th February 2012. Please note that as the Australian Taxation Office have already provided an extension to this date there is no further extension available for either clients or tax agents. The 28th of February is the final date for everyone.

Personal Property Securities Act

The Personal Property Securities Act (PPSA) is a national scheme that will apply to all different forms of securities in use in the States of Australia, including things such as fixed and floating charges, registered mortgage debentures, bills of sale, crop liens, chattel mortgages, hire purchase, as well as retention of title clauses. Even the interest of a consignor who delivers goods to a consignee under a commercial consignment and the bailor of goods are deemed as security interests that will be regulated by this legislation.

National Electronic Registration

The key to obtaining the benefit of a security will be registration on a national electronic register that will be accessible 24/7. It will operate on the basis of notification rather than document registration. Searches of any security interest will be facilitated.

New Rules of Priority

There are new rules of priority. Certain security interests will have priority over others, even over owners of goods. For example, a lessor or supplier under retention of title may lose priority.

Of course, this has a significant impact in cases of insolvency. It is a fundamental shift for those security interests where title remains or is obtained by a secured party.

New Legislative Frame Work

The PPSA aims to provide a legislative framework that is consistent and comprehensive across all States of Australia. It will replace most of the existing Commonwealth, State and Territory registers. It should allow for simpler documentation and registration procedures. It is expected that greater certainty will be provided for holders of competing security interests. By requiring registration, the PPSA provides greater transparency.

In many commercial transactions there will be a need to become familiar with, and conform with, this new regime. For example, sellers of businesses and of other assets wishing to secure vendor finance or other obligations will have to ensure they are protected. Also, suppliers of goods under terms and conditions that include retention of title clauses will not obtain the benefit of those clauses unless they are appropriately drafted and the requisite action taken. We strongly recommend that suppliers have their terms and conditions reviewed and updated. Also, policies, procedures, IT systems and the like need to be brought up to speed to enable effective use and interaction with the new legislation and national register.

This article has been provided by James Neate an insolvency partner at Lynch Meyer Lawyers.

Education Tax Refund

What School Uniform Items Will Be Eligible to Claim in 2011/2012?

School uniform items purchased from 1 July 2011 need to be distinctive and recognised by the school – but are not limited to items bearing a school crest. For example:

- A public school has a policy which states that students should wear yellow shirts, blue hats, grey shorts or skirts and black leather shoes to identify the students as attending the school. However, while wearing these colours is strongly encouraged, it is not compulsory. An eligible individual whose child attends the school buys items which fit within this policy from a store unaffiliated with the school. None of the clothing items contain the name of the school or school crest. As the items, including shoes, are approved or recognised as part of a distinct school outfit and fall under the policy, they would be eligible expenses. This applies irrespective of where the clothing was purchased or the fact that the uniform was not mandatory.
- A school has a dress code where students are required to be dressed in a neat and presentable fashion, but which does not indicate a more specific colour or style that the clothing should take. An eligible individual whose child attends the school buys clothes which they intend to wear to school. The items would not be eligible expenses. While the clothing meets the school's dress code, they lack the sufficiently distinctive quality of a uniform, and could not identify the child as a student at the school.

*Source: The Australian Taxation Office

Interest Concession

The 50% tax discount on up to \$1,000 earned on interest which the Government was going to provide to individuals has been deferred in the recent Mini-Budget to 1 July 2013.

This includes interest earned on deposits held with any bank, building society or credit union as well as on bonds, debentures or annuity products.

The discount will be available for interest income earned directly as well as indirectly, such as via a trust or a managed investment scheme (MIS).

Adjusted Taxable Income

The Government states that taxpayers claiming the discount for interest income will have a reduced adjusted taxable income for the purpose of determining eligibility for transfer payments and other concessions.

The Government notes that the consequential expense primarily affects Family Tax Benefit, but will also affect other payments such as:

- The Baby Bonus
- The Education Tax Refund
- The Pensioner Supplement (which is linked to eligibility for the CSHC).
- Child Care Benefits
- The Commonwealth Seniors Health Card (CSHC)

The measure will apply from 1 July 2013.

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Fringe Benefits Tax & Christmas Parties

With the Christmas season almost upon us, thoughts inevitably turn to Christmas parties and small gifts. This is a complex area which often causes confusion.

The Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and income tax consequences have been summarised in the schedule below. Please do not hesitate to contact our office for any clarification.

Event	FBT?	Deduction	Claim GST?
Gift for Employee <\$300	No	Yes	Yes
Gift for Employee >\$300	Yes	Yes	Yes
Party on Premises - Employee	No - regardless of cost	No	No
Party on Premises - Spouse	Only if benefit exceeds \$300	Only if benefit exceeds \$300	Only if benefit exceeds \$300
Party off Premises - Employee	Only if benefit exceeds \$300	Only if benefit exceeds \$300	Only if benefit exceeds \$300
Party off Premises - Spouse	Only if benefit exceeds \$300	Only if benefit exceeds \$300	Only if benefit exceeds \$300

Christmas Joke

How do you know Santa is a male?
Only a male would wear the same clothes year after year!

Staff News

Eva Barylka is a new addition to the financial planning team. Eve has extensive experience in financial services having worked for two large superannuation funds as a retirement income administrator. In addition to her financial planning qualifications, Eve is currently studying some accounting.

Eve works with Hayden Loxton in our financial planning and is ready, willing and able to assist you with any financial planning support you require.

Congratulations have been circulating around the office to Nathan Jacobs who has recently become engaged to Chantele Williamson. Congratulations to both Nathan and Chantele on this special occasion.

A new member of our reception team is Alice Breeding. Alice is originally from the South East. We take this opportunity to welcome her to RJC Evans & Co.

Another new person is Karen Rees. Karen is the Personal Assistant to our Managing Partner, Stephen Evans.

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