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It seems as we write this newsletter that the global economy is beginning to rebound from savage losses. Finally credit markets are beginning to ease, equity markets are coming off their recent lows and auction clearance rates are rising again. As your Accountant we would like to think we provide you with more than just an avenue to prepare your tax return; we hope some of the content in this newsletter is beneficial in promoting enthusiastic discussion giving you a reason for you to talk to us about more than just your tax return.

If you would like to discuss any of these areas or simply catch up to discuss your personal position, we are ready to be of assistance.

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Global Economy Improving

As we have mentioned, the Global Economy has begun to improve, recent advice from the reserve bank noted that the GDP outcome for the March quarter had been surprisingly strong. Members noted the unusually large difference between the various measures of GDP. If the result was combined with the December quarter outcome, the picture was that the economy had contracted slightly over the six months to March. This seemed broadly consistent with other indicators.

They also noted Australia's remarkably strong export performance over the December and March quarters. Over this period, export volumes had increased by almost 2%, whereas in other countries, export volumes had typically fallen by 10-20%, with much larger falls being recorded in some cases. While the depreciation of the Australian dollar had been helpful to exporters, the strong performance of the Chinese economy was particularly important. Australia's exports of both iron ore and coal had recently rebounded after earlier large falls.

Looking at consumption, there appeared to be an increase in retail sales in May and which were 7% higher than in September, a considerably stronger outcome than in comparable countries. Retailers suggested that this strength had continued into June. It was noted that fiscal transfers had helped support retail sales, as had the stimulus for indebted households from lower interest rates. The effect of the fiscal transfers was also clearly apparent in the data on credit card repayments, which had increased around the time that these transfers were made. Consumer confidence had risen strongly.

Turning to the business sector, investment had fallen by 6% in the March quarter, which was nonetheless stronger than the outcome in many other countries. While it was noted that further falls in investment were likely, business sentiment had improved recently. Car sales to businesses had increased significantly over the past couple of months, stimulated by tax incentives, notably for small businesses. Discussions were held on recent trends in business funding, noting that while business credit had fallen over recent months, this decline was accounted for by borrowings in foreign currency, which were likely to be funding offshore operations. While credit conditions had tightened for many borrowers, recently there had been some large corporate bond raisings and a large increase in issuance of equity.

Recent trends in the housing market, data on first-home owner grants and housing lending suggest that some pick-up in housing construction was likely over the second half of the year. However, it was noted that recent building approvals for medium-density dwellings had been weak, particularly outside the capital cities, partly reflecting reduced demand for holiday apartments, but also the tighter lending standards applying to property projects generally.

House prices had appeared to have increased in almost all areas over recent months. Auction clearance rates in Sydney and Melbourne were also higher, though the number of sales by auction was not particularly high. Housing loan approvals were strong, and while existing borrowers had increased their loan repayments, overall housing credit had recorded solid growth.

In addition many banks over recent weeks have confirmed the comments from our June newsletter in that interest rates are at record lows and that with an improving economy that further drops are limited however upward pressure is likely. Clients who are considering refinancing variable loans to fixed rate loans on the expectation we are seeing a bottom of rates can contact the office to discuss the costs and mechanics of such a decision.

This newsletter is presented in summary form as a guide only for our clients. It should not be relied on as a substitute for detailed advice or solely as the basis for making business decisions. Whilst we view this as informing our clients of opportunities and provides information we understand that some of you may not agree. If you do not want to be included in our future newsletter please call us to be removed from our mail out list.



Checklist for 2009 Tax Return

Following up from our discussion on time management we thought it would be worthwhile to provide a checklist for preparation of your 2009 return. The checklist is not totally encompassing however, we hope that it will be of assistance to you in working towards maximising the deductible items you are eligible for on your return.

Companies carrying on investment activities

- Copies of all quarterly Instalment Activity Statements lodged for the year, including detailed workings for all instalment income calculation (if applicable)
- Bank Statements, Cheque book butts and deposit book duplicates
- Details of investment bought and sold during the year
- Details of investments on hand at year-end
- Details of loans to shareholder or their associates

Companies carrying on business

- Copies of all quarterly or monthly Business Activity Statements lodged for the year, including detailed workings for all GST and instalment income calculations (if applicable)
- Details of salaries, wages paid
- Details of interest expenses
- Details of superannuation contributions
- Details of motor vehicle expenses
- Details of loans
- Details of rates, land taxes and insurance premiums
- Details of depreciable assets bought and sold or scrapped during the year (including assets that may be eligible for the 50% investment allowance)
- Details of entertainment expenses
- Details of overseas travelling expenses
- Details of repairs and maintenance
- Details of subscriptions and donations
- Amount of trade debtors (and work in progress) at year-end
- Details of trade creditors and accruals at year-end
 - Cost of trading stock on hand and at year-end

Salary Earners

- Payment Summaries
- Details of any other income from personal services
- Details of superannuation or other retirement payments
- Details of superannuation or other retirement payments
- Details of any property sold during the year
- Professional subscriptions
- Deductions relating to allowances received
- Other expenditure incurred in earning income as an employee
- Motor vehicle log book (if applicable)
- Nature and period of any private health insurance cover, including membership details
- Details of partnership income/loss shares (if applicable)
- Details of trust distributions received (if applicable)
- Details of any rental properties and rent received
- Details of interest-earning deposits and interest received
- Details of shareholding and dividends received
- Details of investments bought and sold during the year
- Expenditure incurred in earning investment income
- Bank statements





List of deductions to consider



- Accountant's fees for preparing income tax returns, and in the case of business, payroll, FBT etc returns
- Appeal costs relating to tax disputes
- Audit costs, including Taxation Office audit
- Bad trading debts written off
- Borrowing expenses on monies used for income production
- Briefcase used as integral part of employment
- Broker's commission on borrowed monies used for income production
- Business subscriptions and gifts in nature of advertising, public relations, etc
- Expenses for Business trips
- Commission for collection of investment, property income
- Computer software expenses
- Convention expenses
- Copyrights, patents and designs: deduction for registration fees and amortisation of development cost or purchase price
- Depreciation of business plant
- Dues to union, professional or business associations
- Education expenses in certain circumstances
- Employee's business expenses incidental and relevant to employment
- Entertainment of customers (deductible only in certain limited circumstances)
- Self-education to maintain skills
- Technical and trade journals
- Tools of trade, replacing and repairing
- Travel, excluding to and from work
- Film (Australian) investment, write-off
- Fringe benefits tax
- Gifts of \$2 or more to prescribed organisations
- Home Office expenses where home is used as business premises
- Insurance premiums
- Interest on money used by business taxpayer to pay income tax, in certain circumstances
- Interest on money used for assessable income production or purchase of income-productive assets
- Investment losses where taxpayer carrying on investment business
- Losses of previous years, subject to conditions

Primary Producers

- Breeding service fees
- Fertiliser
- Income equalisation deposits
- Land degradation, outright deduction
- Payment to co-ops for business services
- Refinance and research levy, wheat growers
- Seeds
- Soil conservation, outright deduction
- Subscriptions to producers' organisation
- Timber felling deduction
- Water conservation, three-year write off
- Wool tax
- Professional journals, subscriptions
- Certain costs of obtaining professional/technical qualifications
- Protective clothing
- Relocation expenses incurred by transferred employee or by employer
- Rent referable to home office where home is used as business premises
- Some repairs to income-producing property
- Safety footwear
- Shoes, if an integral part of a distinctive compulsory uniform
- Sickness/accident insurance premiums
- Socks and stockings, if an integral part of a distinctive compulsory uniform
- Sunglasses, sunscreen lotion and hats (if required to work outdoors)
- Superannuation contributions by employer and self employed persons
- Tax advice costs
- Tax agents fees associated with preparing returns, disputing assessments or in giving tax advice



50% Investment Allowance
for ABN holders and small businesses.

Bonus Capital Allowance tax deduction extended to 31 Dec 2009

One of the triggers for the improved performance in the Australian economy over May and June has been put down to the governments announcement to provide a one off tax deduction to small business for the purchase of capital items.

The car industry has experienced an increase in new sales. Many manufacturers are reporting an increase in sales and imports have spiked in the June quarter.

For those clients with a small business you may be pleased to know that the BONUS was extended to 31st December and as such you can still take advantage of this one off tax break.

How does it work?

Tony runs a concreting business with under \$2 million turnover. He wishes to purchase a new truck and concreter for \$100,000. He wishes to finance the items.

If he was to lease the items the BONUS would not apply as the finance company holds the beneficial ownership. He applies for finance under CHP and as such receives a 50% tax deduction on the \$100,000. (\$50,000 tax deduction). Tony also receives a tax deduction on the Interest over the term of the loan and can claim depreciation of the asset over the period he maintains the asset.

If you are considering purchasing an asset for your business and would like to discuss the tax deductibility, or require assistance in setting up a loan in the correct manner we are able to assist.



Income Protection - A must for the self employed

The pressures of being self employed often means juggling a business, looking after the family, finding time for social outings and of course ensuring all tax, insurances, business lodgements, etc. are compliant and up to date.

One of the insurances that often gets overlooked is arguably the most important insurance of them all, and that is insurance to replace your income in the event of an accident or a sickness. Employees also should understand that Work cover only covers for accidents whilst at work, and sick pay and holiday pay generally only provide income for 3 or 4 weeks.

What if a major illness or injury occurred and you couldn't work for 3 months, 6 months, or even for an unlimited period. This is where Income Protection is so vital. Self employed persons or employees can have insurance to protect up to 75% of gross income and be paid this income for periods up to age 65.

Income protection is tax deductible, and can commence providing benefits for illness as early as 14 days and accident from as early as day 1, dependant on the insurance company. All policies are different and you may be able to take out life insurance, or have the cover inside your superannuation in some circumstances.

Income insurance in our opinion is vital and if you would like to enquire about costs, we can refer you to a broker who can assist and compare the premiums of different insurers depending on your requirements. If you already have cover, it may be a good time to do a review as premiums over the last 24 months have reduced with increased competition amongst insurers.



How Effective Is Your Time Management?

One thing we can all improve on is our time management. A few tips are set out below that may assist you in being more effective with the time you dedicate to both "work time" and to "play time".



Tip 1: Set goals Work out what you want out of life in all areas of concern. This can be in business, sport, socially, educationally, income, relaxation, family, retirement, civically, etc.

Tip 2: Make lists for everything Things such as business, staff, personal development, family, shopping, jobs that must be done each day, items to take on holiday, leisure, reading, legal, relationships, etc.

Tip 3: Make a start now Don't wait until you get around to it, do it now. By allocating priorities you will develop a sense of urgency rather than just having a lumbering set of onerous tasks to attend to.

Tip 4: Break big jobs into smaller projects. That way they look less intimidating and are easier to handle in the timeframes you set.

Tip 5: Write things down The minute things occur or you think of them, write them down so it doesn't burden your mind or you forget them. Have a notebook with you wherever you go to record your ideas, thoughts, strategies and observations.

Tip 7: Try grouping similar tasks together Make phone calls together and then write letters in one hit. It stops you changing mental gears all the time.

Tip 8: Learn to say 'no' to tasks that don't belong to you. Saying 'no' sets the parameters of your responsibilities.

Tip 9: Set aside regular time for relaxing It can be as simple as a five-minute break after completing a specific task to planning your annual holidays.

Tip 10: Set Tight deadlines Work expands to fit the time available. So set cut off points for completion of tasks in all the things you do.

Tip 11: Stay focused Give top priority to value-added activities, those things which take you a step closer to your goals.

Tip 12: Learn to delegate Separate tasks and determine who can help you, then DELEGATE!

