

### TAXATION

#### Seminars in 2011

##### What are you going to do with your business?

Are you going to run it forever, sell it or transfer it to current staff or family?

Wed 21st September

##### Conducting Business Online: Strategies and Pitfalls

Wed 2nd November

8:00am - 9:00am  
Light breakfast will be served from 7.35am

##### Venue: Our offices

To reserve your place please email:

[kathryn@pva.com.au](mailto:kathryn@pva.com.au)

Or call Lauren:

02 9416 9266

To be informed of upcoming seminars, email [kathryn@pva.com.au](mailto:kathryn@pva.com.au)

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Nothing has changed in the world of taxation as changes continue to happen as if they are normal.

#### For the tax returns that we are now preparing for the year ended 30 June 2011, some of the changes are:

The low income rebate has increased from \$1,350 to \$1,500. The rebate phases out between \$60,000 and \$67,000. The existence of this rebate means that children under 18 can receive unearned income of \$3,333 before paying tax.

If you do not have private hospital cover and your income is over \$77,000 (previously \$73,000) for single taxpayers and over \$154,000 (previously \$146,000) for a couple plus 1 child, plus \$1,500 for each additional child, then you are liable to a 1% Medicare Levy Surcharge.

The threshold above which you can receive a tax offset of 20% on the net medical expenses has been raised to \$2,000 from \$1,500. Medical expenses include dental, pharmacy and optometry. This also includes incontinence pads if bought from a chemist. If you are confined to a bed or an invalid chair then the cost of attendants is also included. The expenses have to be for an "illness". Payments for therapeutic treatment have to be at the direction of a medical practitioner.

The luxury car limit is \$57,466 up from \$57,180.

The supervisory levy for SMSFs is now \$180 up from \$150.

#### For the year ending 30 June 2012 some of the changes are:

The GDP adjustment factor for calculating the PAYG installments will be 4% as opposed to the previous 8%.

The low income offset has been denied to children with unearned income under 18. Their threshold is now \$416.

For this year only there is a Flood Levy of 0.5% of taxable income on incomes from \$50,001 to \$100,000 and 1% on incomes above \$100,000.

The minimum annual payment for an account based pension is 3% if you are aged below 65, 3.75% if aged from 65 to 74 up to 10.5% if 95 or over.

For the statutory method of valuing a car fringe benefit, the percentage for cars purchased from 10 May 2011 to 31 March 2012, is 20% below 25,000 kms then 14% and 10% for the next two brackets. These percentages will change till they are all 20% from 1 April 2014. If your car is in the higher levels of kms then you need to relook at using the log book method or not having the employer provide the car.

Individuals will be entitled to a 50% discount on up to \$1,000 of interest earned on deposits with banks etc.

School uniforms are an eligible expense for the purposes of the education expense tax offset. This offset is only applicable if you receive family tax benefit A.

Please note that this is only a summary and the individual rules can have some complex provisions. If you have any questions then please call one of our accountants.

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## ACCOUNTING & BOOKKEEPING

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**The first step** in the bookkeeping and accounting process that a business person encounters is the receipt of a bit of paper or an email. You then need to do something with it.

Senior executives have a Personal Assistant and the Lord of the Manor has a butler to handle this. However most of us are not in that league and cannot pay the salary of \$100,000 that these PAs and butlers now charge. In the past you had to do this yourself before you outsourced the remainder of the process to bookkeepers and accountants.

A company called Shoeboxed has now taken on the task of relieving you of the tediousness of this first step for a fee. Refer to [www.shoeboxed.com.au](http://www.shoeboxed.com.au)

### **The next step..**

As mentioned in past newsletters the future of recording financial transactions is that this will be a cooperative task shared by the client and ourselves.

There will only be one general ledger with both of us being responsible for different bits.

We are currently running this cloud accounting on Xero, Quickbooks and SASSU. However the ideal system is not yet there but the software providers are making promises that it will be soon. When we have all the required modules, this system will become the standard and if clients do not hop on the wagon, clients' accounting costs will be double those that are on board.

As with all technological gains, what actually happens is that businesses will increase the number of transactions rather than decrease their costs.

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## SUPERANNUATION

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We founded the Lindfield Superannuation Fund. This is a public offer fund with a regulated trustee, a manager and a custodian.

Lindfield Superannuation Fund is an alternative if you do not have enough money for a Self Managed Super Fund, around \$200,000, or if you do not like industry funds or funds run by banks or insurance companies.

The preliminary result for the year ended 30 June 2011 is 8.45% after tax and administration costs. This makes the fund one of the top earners.

As some of our members are now reaching the age of 60, it is appropriate for them to start an account based pension. As this fund is under the supervision of the Australian Prudential Regulation Authority, APRA, we were forced to set up a separate Lindfield Pension Fund for these members.

This fund started on 19 October 2010 and the return to 30 June 2011 was 3.52%. As the two funds have similar assets you can see what part of the year had the increase in share values.

Please note that the original members of the pension fund

would have received the increase in the first fund before they switched into pension phase.

What are the benefits of going into pension phase? The income from the assets that support the pension is exempt from the income tax imposed on super funds of 15%. Also the pension that is received if you are over 60 is exempt from income tax in your personal return.

One very good reason for joining these funds is that you will have Agnes Mock available to assist you. Contact her on: [agnesm@pva.com.au](mailto:agnesm@pva.com.au)

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## HUMAN RESOURCES

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The most valued asset of any business is its people. The Peter Vickers Business Group has a very highly skilled HR Manager, Mrs Idana Katz. Besides looking after our HR issues including recruitment, performance appraisals, compliance with the Fair Work Act etc, she also helps

selective clients with their HR issues.

One of the latest concerns is that the Fair Work Ombudsman (policeman?) is auditing businesses to see that they comply in all respects with the Act. The new modern award came into effect on the 1 January 2010.

The Fair Work Ombudsman is in the process of auditing business, which are being randomly selected to ensure that they are complying with the new modern awards.

The award that is the focus for business audit at present is the

*Peter Vickers and Associates Pty Ltd Chartered Accountants  
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## HR continued

Clerks – Private Sector Award 2010. Some of the positions that fall within this ward

include: receptionists, clerical/administrative employees, payroll officers, PAs and call centre employees.

If you are one of our good clients (we can't possibly have any bad ones) and you have any HR issues then please call Idana on 9416 9266 or email [idanak@pva.com.au](mailto:idanak@pva.com.au)

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## INVESTMENT ADVICE

As this newsletter is being written we have received an email from a Commercial Real Estate agent saying that they have a desperate need for a vacant factory for a client. Unbelievable! This type of request has not been seen for 10 to 20 years. The property market appears to be coming back into favour with investors who appear to be sick of the volatility of the share market.

This is great news as it means that investors now can get back

into investing in all three investment areas: lending people money (bank deposits), property and investing in businesses (listed shares). Generally there are no other investment classes.

Investment trusts and super funds are just these investments repackaged. Gold, art work and collectables earn no income so they are not true investments but make up a portfolio only for those experts in the field.

We advise clients on all three areas and then work with clients to find the mix with which they are comfortable. The time to invest depends on the various times in the cycle of these three investments.

We are licensed to give investment advice. Please contact Joe Staub at [joes@pva.com.au](mailto:joes@pva.com.au) or call him on 02 9416 9266

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## AUDIT INSURANCE

In the previous section we talked about how technology is enabling us to increase the number of transactions that we can process at a greatly lower cost per transaction. The problem that then arises is if these transactions are audited by someone.

The audit process requires each transaction to be assembled for inspection by the auditor. The above technology can help. However the audit process is estimated to cost something like 3 to 5 times the original cost of the initial recording. This does not take into account if a dispute arises due to the audit.

We believe that clients will find this prospect of increased costs due to an audit very unpalatable.

This is where audit insurance comes in. All accounting clients would have recently received a letter introducing our audit insurance scheme. The policy is held by Peter Vickers & Associates Pty Ltd. It is underwritten by QBE and administered by their subcontractor Audit Services Pty Ltd. Our PVIB insurance broker, Genevieve Aytona, [Genevieve@pvib.com.au](mailto:Genevieve@pvib.com.au) can help you with any questions.

The costs incurred by Peter Vickers & Associates Pty Ltd and any lawyers and experts that we need to hire are included in the insurance.

All types of audit are covered. All federal taxes; income, GST, FBT, PAYG, superannuation guarantee and CGT; state taxes; payroll, stamp duty, land tax and also workers compensation.

Please see the policy documents for more details. These can be downloaded from [www.pva.com.au](http://www.pva.com.au) or please call **Genevieve on 9416 7574**

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### Receive our newsletter by email

If you would prefer to receive our newsletter (and other periodic information—you will not be inundated) by email, please let us know by emailing [kathryn@pva.com.au](mailto:kathryn@pva.com.au) For those of you who prefer to receive a printed version, we will happily continue to send it by mail.

**Public Liability Insurance: judging by the number of queries we receive it is clear that this is a topic which needs to be reviewed regularly.**

Anyone who runs a private business knows the importance of Public Liability Insurance and that trading without adequate cover can lead to disastrous consequences.

Consider how exposed all the small and large businesses in a shopping Mall are to the myriad of claims by shoppers who trip and fall or slip getting on or off escalators, or suffer any type of accident while shopping in a store.



Public Liability Insurance covers the insured's liability to third parties for death, bodily injury and property damage caused by the negligence of the insured while engaged in the business or occupation.

Usually, Public Liability insurance provides cover for incidents that occur anywhere in the Commonwealth of Australia.

However, cover can be and often is, extended for overseas work, depending on the Country involved and the length of time that the insured will be working

overseas, subject always to the Jurisdictional Clause, which requires that any legal actions that occur due to activities/work outside Australia be brought before an Australian Court.

Generally, under direct Liability, the person who commits the wrongful act and is personally answerable for that act cannot avoid liability merely because they are acting as an agent of another. Furthermore, employers cannot avoid their liability for breach of duty by engaging employees or contractors to act for them.

The liability of an employer for injury or damage caused by employees or contractors varies according to the degree of control, which they maintain over the actions of their employees or contractors.

The employer is likely to be held directly liable when injury or damage is caused by the dangerous nature of the work undertaken on their behalf, or by any work process authorised by the employer, such as removing protective equipment to speed up a manufacturing process.

Another area where the employer can be held directly liable is when injury or damage is caused by the employment of inexperienced or incompetent employees or contractors, without properly checking references and qualifications,

leading to unsafe work practices and causing injury to a third party or when a breach of duty imposed by Statutes, such as Workplace Health and Safety legislation occurs.

An employer has the right to control the conduct of employees in the work that they do and this places the "duty of care" squarely on the employer.

An employer may also be liable for employees' negligent acts done in the course of their employment, regardless of whether or not the employer was careful in choosing and supervising the employees.

On the other hand, a contractor may not operate under the same control as an employee. It is generally accepted that a principal is not liable for the negligent act of an independent contractor. However, such contractors are required to effect their own Public Liability insurance and the principal who hires the contractor should ensure that their name is noted on the contractor's policy.

It is critical that everyone – but most importantly you, our client – reads the policy document of any insurance effected carefully and if you are unsure of the cover afforded, or do not understand any aspect, then seek the advice of your Account Manager as soon as possible.

To discuss any aspect of your insurance, to have your current policies reviewed by one of our team to ensure that you have comprehensive cover at the right price, or to request an obligation free quote,

**call us on 1300 784 011 or visit [www.pvib.com.au](http://www.pvib.com.au)**

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