

### ACCOUNTING

#### Last Seminar in 2011

**Does your  
Advertising Suck?  
Wednesday 7 Dec**

**PVBG and Ku-ring-gai  
Chamber of Commerce** bring to you Herbert J field, a dynamic and entertaining speaker whose methods have won 8 world sales records.

The businesses that will grow and prosper in 2012 are those that are driven by marketing.

Learn new ways to promote your business which will help you win new clients and grow your business in this increasingly competitive world.

**8:00am - 9:00am**

**Light Champagne breakfast will be served from 7.35am**

**Venue: Our offices**

To reserve your place please email:  
**kathryn@pva.com.au**  
Or call Jessi on 9416 9266

To be informed of upcoming seminars, email  
**kathryn@pva.com.au**

Our accounting practice is a leader in innovation in Australia. We have been running a paperless office for over 5 years and are now taking clients into the "cloud".

In recognition of this, we were approached by Jerome Simmons of the Simmons Business Centre, Windsor, to merge with us and thus make use of our advanced systems in providing services to his clients. We are delighted to welcome Jerome Simmons, Aylin Karahangil and Danielle Os to our team.

The Windsor office is now officially paperless. We will thus be scanning all trust deeds, minutes and company constitutions and returning these to clients. All regulatory bodies like the Australian Securities and Investment Commission (ASIC) and the Australian Taxation Office (ATO) are themselves paperless and they thus recognize electronic copies as originals. Windsor, like Lindfield, already has its company registers in an electronic format. This allows us to produce documentation for any change in directors or addresses with greater ease and accuracy.

If you have received printed

correspondence from us recently you will notice that it is printed on paper of a different colour. We would have liked to announce that we had a major design upgrade but unfortunately what really happened is that the paper manufacturers have stopped producing the previous colour. Coloured and fancy papers have been superseded by technology as designers now can rely on colour printing to produce the effects that they require. However we have found that clients and ourselves find it more convenient to differentiate our important correspondence from other paperwork if it stands out.

Accounting and tax are very complex due to ever increasing legislation, oversight by eager public servants and the increasing number of transactions that business can perform and deal with due to the wonders of new technology. What we provide is the services and wisdom of our highly skilled humans. Unfortunately we humans are not as good at speed or error free work as machines but we do bring human experience to solving your issues.

### Peter Vickers and Associates Pty Ltd

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## ACCOUNTING

And whilst we are talking about technology we thought we would highlight a new iPhone App  
**Vehicle Log**

This new App fully complies with the ATO where the logbook method is used. It calculates the percentage business use of a vehicle, uses your GPS, integrates with your calendar, uses favourites for your trip purposes and generates PDF reports which



you can send to your employer or accountant. This app is suitable for both individuals and large fleets within an organisation.

You can also claim the cost of this app in your tax return. It is a legitimate expense and is fully tax deductible.

The application can also be used by employees who use their own vehicle for work related travel and need to submit KM reimbursement claims to their employers.

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## TAXATION

### Medicare Levy Surcharge

Your hospital insurance usually does not cover you for illness suffered outside of Australia. Thus some Australian residents who are overseas for a lengthy period of time put their insurance on hold and thus reduce their premiums.

However there is a big trap in this. If your income is above the threshold which for the 2010/11 year is \$77,000 for a single person and combined income of \$154,000 for a couple, then you will be liable for a surcharge of 1%.

Higher thresholds apply if dependents are involved. If you exceed this threshold then you are liable for the surcharge if you are not covered for the WHOLE year by approved hospital cover.

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## FINANCE

We have very good connections with various lenders and are thus able to assist clients in securing various types of finance for homes, investment properties, motor vehicles and plant as well as debtors.

Income for surcharge purposes includes your taxable income, reportable fringe benefits, reportable superannuation contributions, and total investment loss less any taxed component of a superannuation sum received.

### Due Date for Tax Returns

For most small companies and individuals the final date for lodging income tax returns is 15th May. However please be aware that we need time to prepare your returns and with questions and queries, we need to be given at least 2 months leeway. If you have not given us your information already then please start to get everything together.

We recently had an interview with our liaison officer with the Australian Taxation Office.

The "Big Brother" banks and finance companies have now realised that the Australian Taxation Office is the lender of last resort to struggling Australian businesses. This is because the job description of public servants in the ATO is to be thorough and

He informed us that from 1 July 2013 the Taxation Office will be monitoring the lodgment statistics of tax agents to ensure that their client's tax returns are lodged by their due dates.

Currently most tax agents keep on their lodgment lists various clients that are delinquent in getting their information to tax agents on time. Agents then chase those clients for their information.

However under this new system tax agents will be forced to remove those delinquent clients from their lists in order to meet their quotas. Thus these delinquent clients will no longer get the tax agents' blanket extension for lodgment and will thus be open to prosecution. All government bureaucracies are now tightening up their lodgment deadlines and leaving very little margin for leeway.

systematic rather than dynamic. Thus the financiers want to find out how bad is the position of the prospective borrower.

They are thus asking the borrower's accountant to print off

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*Peter Vickers and Associates Pty Ltd Chartered Accountants  
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the integrated client account with the ATO from the ATO computer called the portal. This will show whether all Business Activity Statements (BAS) have been lodged and how much tax is still owing. A stronger incentive to keep ones tax affairs in order than letters and phone calls from the ATO.

### **Time to renegotiate**

Australians are reluctant to invest their savings in property or shares and are thus moving their savings into cash.

This means that banks have more funds available to lend. However their credit departments are being much more careful about the loans that they write and are insisting that borrowers show their ability to make repayments from cash flow.

The best way of showing this is with a projected cash flow which we of course are able to produce as part of the finance application.

We are also finding that the valuations are being done on a more conservative basis and that there is pressure to lower lending ratios.

Australian interest rates are now dropping slowly to match international levels. Clients are advised to relook at their borrowings to see if they are able to obtain some benefits. The banks are offering lower rates for fixed rather than floating loans which indicates they expect rates to fall further.

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**INVESTMENT ADVICE**

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Besides our extensive experience in Self Managed Superannuation Funds (SMSF), we run two superannuation funds for those with amounts too small to justify a SMSF or for those clients who do not want to have their funds with a Bank or Industry Fund.

The Lindfield Superannuation Fund whose annual report should be out shortly had a return of 8.45% for the year ended 30 June 2011 after all management fees and income tax. This compares to the S&P/ASX 200 which went up 7.13% and the UBS Composite Bond Index of 3.9% but these are before management fees and income tax. On the 19<sup>th</sup> October 2010 we established the Lindfield Pension Fund for those members who would now like to enter the pension phase.

The return from the establish-

ment date to 30th June 2011 was 3.52% before management fees but not before tax as there is no tax on its income. The other two rates were -0.94% and 2.66%. This shows that returns fluctuate over the year as the portfolios and investment strategies are similar. Members who transferred would have received the high rate in the first few months from the previous fund.

### **Why move into pension phase?**

You must be over 55 to commence a pension. There is no income tax on assets of a fund that support a pension. Thus there is a saving of 15% in income tax. If you are over 60 then the pension is not taxable in your personal tax return. Another advantage of the pension fund is that you can

take your pension and then re-contribute it into to the fund and increase your tax deductions.

This is only useful for a limited group of people as you need to be in the appropriate tax bracket for it to work. If you are an employee then the contribution must be part of a salary sacrifice arrangement.

There is a minimum amount that you must take annually out of the fund and there may be a maximum if you are under 65 and still working (transition to retirement pension).

As always you need to consult us as this is only a summary and the rules have other complications as well as being affected by your personal circumstances.

**Australian Credit Licence No: 229302**

### **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.

**Ensuring our clients are adequately covered**

In order to ensure that our clients are effectively covered for all of life's eventualities, we are pleased to offer you an assessment of the personal insurance recommended for your individual circumstances.

Life insurance is essential for those of us with a dependent spouse and children. The advice provided will help to determine the amount of insurance required and the most

suitable cover for your needs. If you don't want to wait to be called, you can contact **Matthew Sherlock** directly on 02 9431 7000 or email Matthew at [matthew@pvib.com.au](mailto:matthew@pvib.com.au)

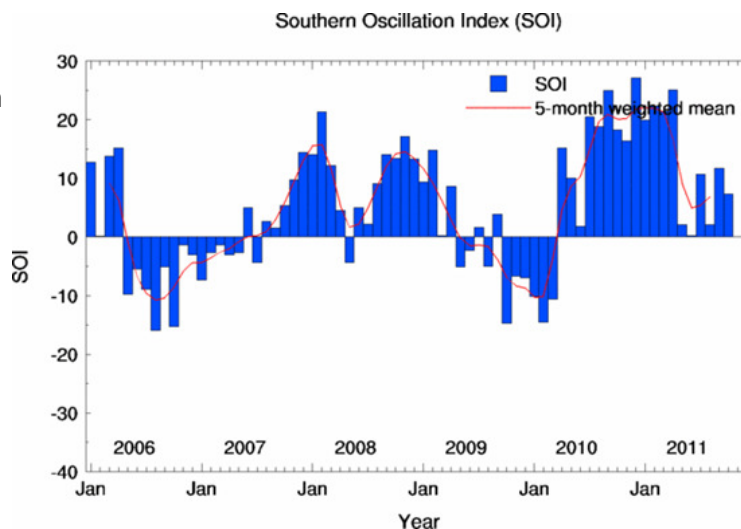
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**Increases in premiums**

We have been experiencing increases in premiums across all insurers, across all policy covers. At PVIB we ensure our clients are paying the right price for the coverage in place. PVIB staff may recommend change of an insurer where appropriate, after negotiating the cover and pricing with the relevant insurers. If your renewal has seen no or little increase in premium cost then you have been lucky and our staff have done a fantastic job. Increases are inevitable and all the insurers we have spoken to, or who have written articles in various press releases, have stated premiums are on the rise.

Pressure on the price of premiums is due to increasing weather claims, claims inflation and increased costs of reinsurance. In the 9 months prior to June 2011, weather related catastrophes cost the industry in excess of \$4billion.

The atmospheric phenomenon, the Southern Oscillation is responsible for much of Australia's variable weather and when we are in La Nina phase, this is often characterised by widespread rain and flooding. As the graph illustrates 2010/11 saw a particularly strong La Nina phase.



Source: Australian Government Bureau of Meteorology

The increases vary depending on the type of insurance and location, being higher in areas that are more exposed to weather related claims such as north Queensland and in types of insurance that have not kept up with underlying inflation. Rest assured that our team will continue to seek the best insurance cover at the best price for your needs.

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**Workers Compensation**

At PVIB we have had many queries about Workers Compensation. The government does allow brokers to place the initial cover if you're an existing client of Peter Vickers Insurance Brokers. The details we will need from you would be:

- The type of industry/work you do
- Number of employees
- Estimated payroll
- Address

With these details we can then contact the insurer and request the cover on your behalf.

Any further correspondence from this stage will be handled between the insurer and the client. However if a problem regarding a claim is to ever arise, you may contact your broker with your problem and we can then take the matter up on your behalf.

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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