

HMA TWOMEY PATTERSON

CHARTERED ACCOUNTANTS

Business & taxation advisers · Registered company auditors

MARCH 2008 - NEWSLETTER

CHANGES TO WORKERS COMPENSATION

From 30th June 2008 NSW Workers Compensation Scheme amendments will mean that any employers whose annual wages declared for Workers Compensation are less than \$7,500 will not be required to take out an insurance policy. These changes will reduce the need for many small businesses to take out a minimum insurance policy. If the worker of an employer who is not required to hold a policy is injured, the employer will pay a one off fee of \$175.00 (the minimum policy amount before the changes).

The time period required for the retention of records will also reduce from seven years to five years.

INCITEC PIVOT LTD SHARES

A number of our clients have Incitec Pivot Shares which have increased significantly in value over the last few years, and currently have a value of approximately \$143.00.

If you are considering selling these shares please contact your Accountant to discuss the Capital Gains Tax implications of the sale, and the strategies that can be put in place to reduce any capital gains tax that may be payable. We also provide a stock broking service should you require us to sell the shares on your behalf.

INSURANCE -Do you have sufficient Insurance Coverage for your business?

Recent statistics show that 42% of small businesses do not have sufficient Business Interruption Insurance and 12% have no public liability or Products Liability Insurance Cover. A staggering 70% of under insured or uninsured small businesses won't survive a serious event such as major fire, storm or legal claim against their business

In December 2007, one of our business clients suffered a major fire which resulted in substantial damage to their building, equipment and stock. They were extremely thankful that they had recently reviewed their policy and had adequate insurance to cover the building, equipment and stock. However, the fire caused major disruption to their day to day business operations. Some costs incurred during this time were not covered in their policy as they had limited business interruption insurance.

Luckily, we have been conducting quarterly business reviews with this client, and all their financial information was totally up-to-date. This proved of

enormous benefit in ensuring a fast claims assessment, as we were able to sit down with the assessor and provide a full business growth history and up-to-date financial figures.

An interesting fact to note when making an insurance claim is that the insurance company will more than likely enforce the "duty of disclosure" clause in your insurance policy. If you have had any break-ins or damage to business property and have not reported this to your insurance company, then this could possibly affect your insurance claim.

The moral of the story - check your insurances to ensure you have appropriate cover. You never know when a serious event could happen! You are also required to advise your insurer of any events under the duty to disclose section of your policy.

FBT WARNING FOR EMPLOYERS PROVIDING CARS

The Australian Taxation Office has advised that letters regarding the tax treatment of business-owned cars are being sent to employers. We understand the ATO will focus on the following areas:

- Has the employer provided a vehicle (leased or owned) to their employees that is available for private use?
- Has the Fringe Benefits Calculation been completed and recorded?
- Has proper documentation (eg logbooks, employee declarations) been kept?
- Has any GST claim been calculated properly?

LOG BOOKS – Do you have a valid log book?

To use the operating cost method, a valid Log book must be kept to determine the business percentage. The log book must contain the following information;

- The date on which the journey began and ended
- The odometer readings at the beginning and the end of the journey
- The number of kms travelled in the journey
- The purpose of the journey

The Log Book must be kept for a period of 12 continuous weeks and is valid for a period of 5 years. This determines the business percentage of the vehicle.

TAX FILE NUMBERS AND SUPERANNUATION

You must provide your tax file number to your superannuation fund, or all contributions made after 1 July 2007 will be taxed an extra 31.5%.

Employers receiving Tax file number declaration forms for new employees are required to pass the employees tax file number onto their super fund.

SUPERANNUATION CO-CONTRIBUTION EXTENDED TO SELF-EMPLOYED

From 1 July 2007, the superannuation co-contribution scheme has been extended to self-employed persons.

For every \$1 that you put into superannuation up to \$1000, the government puts in \$1.50, up to a maximum co-contribution of \$1500.

You receive the maximum co-contribution if your total income is less than \$28,980. The co-contribution reduces by 5 cents for each \$1 that your total income exceeds \$28,980, phasing out totally at \$58,980.

Self-employed persons must not claim a tax deduction for this part of their super contribution and they must be less than 71 years of age at 30 June 2008.

OTHER SUPERANNUATION CHANGES FOR SELF-EMPLOYED

- From 1 July 2007, most self-employed people will be able to claim a full deduction for contributions they make to their super fund (previously limited to the first \$5000 plus 75% of the balance).
- Self-employed people may now make superannuation contributions up to age 75 (previously 70).
- There are new limits on the amount you can contribute to your super fund and claim a tax deduction.
 - If you are under 50, the limit is \$50,000.
 - If you are over 50, your annual limit is \$100,000 until 30 June 2012

Please note that these limits also apply to employees. Employees who are salary sacrificing need to ensure that their total salary sacrifice plus sg (i.e. 9%) contributions do not exceed the above limits or they will incur excess contributions tax of 31.5% in addition to the usual 15% tax.

COUNT UPDATE:

What should you do when there is a market downturn?

Despite the current volatility in investment markets across Australia and the world, now may be exactly the wrong time to make significant changes to your portfolio.

Knee-jerk reactions in response to market news can mean that investors risk selling in a panic just as the market hits rock bottom, or buying in unreasonably when prices are near their highest.

Did you know? After the stock market crash of 1987, the share market entered one of the most significant growth periods in history. Those who sold at the time of the crash missed out on growth opportunities.

1. Don't try to chase last year's returns - invest in timeless good quality

Trying to guess the top and the bottom of the market is not easy and you risk being out of the market when it rebounds, or paying too much if you pick an investment just because it was last year's 'winner.' Even professional fund managers find it difficult to continuously time the markets for the right time to invest. But the goal of investing is not to avoid downturns; the point is to see gains over time in spite of downturns.

Chasing past performance is often a recipe for future under-performance.

2. Variety can provide smoother returns

'Diversifying' your investment across different areas means that when one asset class is doing poorly, it can be balanced by another area that is performing well. So rather than expose your portfolio to extreme ups and downs, spreading out your investment means a less volatile overall change in case of a downturn.

3. Take out the guesswork: Good advice = good investment plan

The market will always be volatile – that's what makes it beneficial to invest, but the same volatility can also make people fearful. The key is to stick to your investment plan and have regular review meetings with your adviser.

Remember, there is always room for your portfolio to change, but it should be in conjunction with careful thought and advice and your stage of life, rather than because the media or other investors are dropping out following a downturn. If you are concerned about how the recent events have impacted on your investments call us today to arrange a review of your investments.



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