**September 2007 Newsletter**

# Globe Accounting Pty Ltd

**Certified Practising Accountants**

Hello again,

Time to give you all an update on the happenings in the world of accounting. This edition includes a look at the 12 month amnesty on shareholder loan accounts, New Workchoices obligations for employers and some interesting statistics about the growth in the superannuation area over the last 10 years.

On the Office front, some of you may have had a call from Shannon Aspinall, who joined us in July. Shannon completed her business degree last year and is working with us part time while commencing her CPA programme. Belinda Hills has also joined our team, working after school until the end of the year, when she will commence full-time. Belinda will be helping Maureen and Mary-anne. As you can see, we are growing to meet your needs, our aim is to remain accessible and continue to provide a fast-turn-around. While on that note, we certainly try to return calls on the same day, however, particularly around July and August, it sometimes proves impossible. If you have an urgent matter, please make sure you give the details to reception and we will do our utmost to resolve your issues in a timely manner. Another easy way to contact us is via e-mail. We check our e-mails regularly, and reply daily, just put the first name of the person you want to contact and add @globeaccounting.com.au.

We are currently contacting clients about training for Banklink. Our regular staff have been using it and are navigating their way around the program easily. They are finding it quicker and easier to input information and expect it to become easier going forward. If you would like details about Banklink, and the benefits it offers please give Erin a call.

## Financial planning

Our next seminar will be held on 4th October. At the seminar we will hear from a representative of Colonial First State on Self Managed Super Funds and a representative from Timbercorp on their forestry offerings. If you would like to come along to this free seminar, please call Mary-anne or Maureen to book a space.

Also, for those nearing or in retirement, don't forget the 20 September deadline to take advantage of the 50% asset test exemption. This 50% exemption applies to the Centrelink assets test for calculating the pension entitlement and applies to complying income streams.

From 20 September, the age pension reduction factor reduces from $3/$1000 to $1.50/$1000 for singles and from $1.50/$1000 to $0.75/$1000 for each couple. This means you may be entitled to a part pension from 20 September if your assets are less than the following:

| | | |
|---|---|---|
| Homeowner | single | $520,750 |
| | couple | $825,500 (combined) |
| Non-homeowner | single | $641,750 |
| | couple | $946,500 (combined) |

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## TFN's and Super

There is now a requirement that Employers pass on their employees Tax File Number (TFN) to the employees Superannuation Fund, within 14 days of receiving the TFN Declaration, or when you first make a contribution to the super fund.
The above requirement applies to any TFN Declarations completed after 1 July 2007.

What if the super fund isn't advised the TFN details?
Superannuation funds cannot accept member contributions until a valid TFN is quoted. There is also an additional tax imposed on concessional contributions if TFN details are not held by the Super Fund.

## 12 month amnesty on shareholder loan accounts

On July 30, the Australian Taxation Office issued Practice Statement PS LA 2007/20. It provides the Commissioner's administrative approach to dealing with Division 7A of the Income Tax Act. It addresses what is commonly known as shareholder loan account problems although its reach is wider than this. Legislation introduced in 1997 caught certain loans, payments or debt forgiveness where a related shareholder may have received a benefit through a company or trust which was not taxed. Division 7A provided the mechanism to catch these transactions and tax them.

Typically, these debit loan accounts are created where shareholders draw funds from their company accounts in excess of their salary or dividend entitlements. This is most likely to occur if you are in the habit of paying private expenses or drawing lump sums out of your company account.
If your loan does not comply with the current guidelines, then the loan might be deemed an unfranked dividend with the loan amount assessable in the hands of the shareholder. In addition, the company will lose the franking credits that would otherwise attach to the deemed dividend. This can become a very expensive exercise.
Debit loan accounts can be easily overlooked and also created unintentionally.
Many small businesses were caught out by Division 7A. The breach having occurred could be remedied but not removed. The effect was a tax liability had been triggered, although in many cases taxpayers were unaware of this.

PS LA 2007/20 provides an 'amnesty period' up to 30 June 2008 where taxpayers can put in place corrective action that will avoid the tax liability that otherwise would have occurred and also the resultant penalties.
There are certain conditions that need to be met to qualify for this relief. The first requires that it is clear that the failure to comply was the result of an honest mistake or inadvertent omission (although it is unclear at this stage how the Commissioner will assess what is an honest mistake).
In the vast majority of cases small business owners have not set out to knowingly breach Division 7A. In most cases they would not even know what Division 7A is.
A further condition is that where corrective action requires you to establish a complying loan agreement, and in most cases it will, then you need to have met the minimum payments that would have been required if the loan had been put in place in the year when the debt was incurred. This is a cash flow or financing issue. It may require some planning. So, it is best not to leave this until near the end of the amnesty period. If you are affected, you need to be planning your approach as soon as possible.
*If you have debit loans to shareholders or Directors (or associates), then talk to us today about safeguarding your position and ensuring you don't get caught by this tax.*

## New Workchoices obligations for employers

All employers covered by the federal industrial relations system now have another obligation to fulfil.

From 20 July, all new employees must be provided with a copy of the Workplace Relations Fact Sheet within 7 days of commencing employment. Employers have 3 months (until 20 October 2007) to provide all existing employees with a copy of the fact sheet. Penalties may apply if you fail to provide the fact sheet.

**Who is covered under the Federal System?**
The Act applies to all employers who are "constitutional corporations" which means all trading, financial and foreign corporations within the meaning of the Australian Constitution. The reason this definition is based on the limitation of the Federal Government's law making power with respect to corporations in the Australian Constitution

**Who is not covered by the Federal System?**
Employers not covered by the Act are those operating outside Victoria and the Territories that are unincorporated, such as:

- sole traders;
- Partnerships;
- non-corporate trustees; or
- State government departments.

Also excluded (outside Victoria and the Territories) are incorporated entities that do not have sufficient trading or financial activities to be characterised as a constitutional corporation.

While in most instances it will be fairly clear as to where an employer sits with respect to the Act, there will be some corporate and non-corporate entities where it will be necessary to take a closer look at the situation

*If you are uncertain about your position, contact an employment lawyer or the Workplace Info line on 1300 363 264. Copies of the Workplace relations Fact Sheet are available from Workplace Authority website (www.oea.gov.au)*

**Superannuation's stellar growth path**
The Australian Prudential Regulation Authority released an interesting series of statistics recently looking at the growth and changes in superannuation in the last 10 years.
According to the report, total superannuation assets in Australia over the ten year period grew at an annual average rate of 14.3%, and almost quadrupled from $245.3 billion in June 1996 to $912.0 billion in June 2006. This growth has increased superannuation assets as a proportion of Gross Domestic Product (GDP) from under 40% in 1996 to nearly 100% in 2006.
Small funds and industry funds experienced some of the strongest asset growth over the past decade, at rates of 22.7% and 22.5%, respectively. Retail funds (excluding eligible rollover funds - ERFs) grew by 17.5%, public sector funds by 12.8% and corporate funds by 2.2%.
The report shows that contributions grew an average of 12.0% annually over the past ten years, with member and employer contributions growing 14.2% and 11.4% per year, respectively. Benefit payments grew on average by 7.9% annually with pensions and lump sum benefit payments growing by 13.3% and 6.5% per year, respectively.
*If you need assistance with setting up a self managed super fund (or assessing whether you should) or managing your superannuation and investments, speak to us today.*

**Quote of the month**
Here's something to think about: How come you never see a headline like 'Psychic Wins Lottery'?
*Jay Leno*