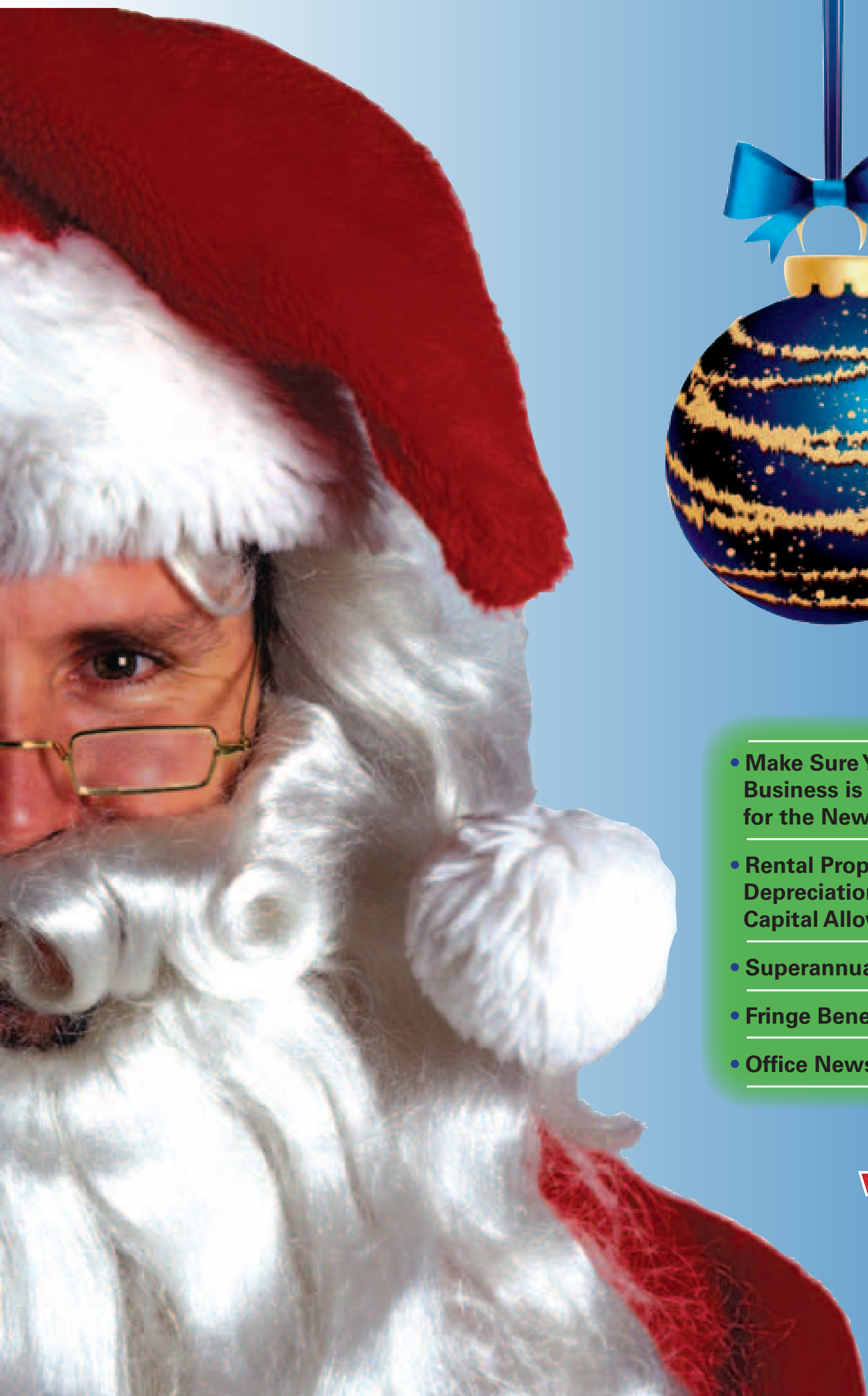
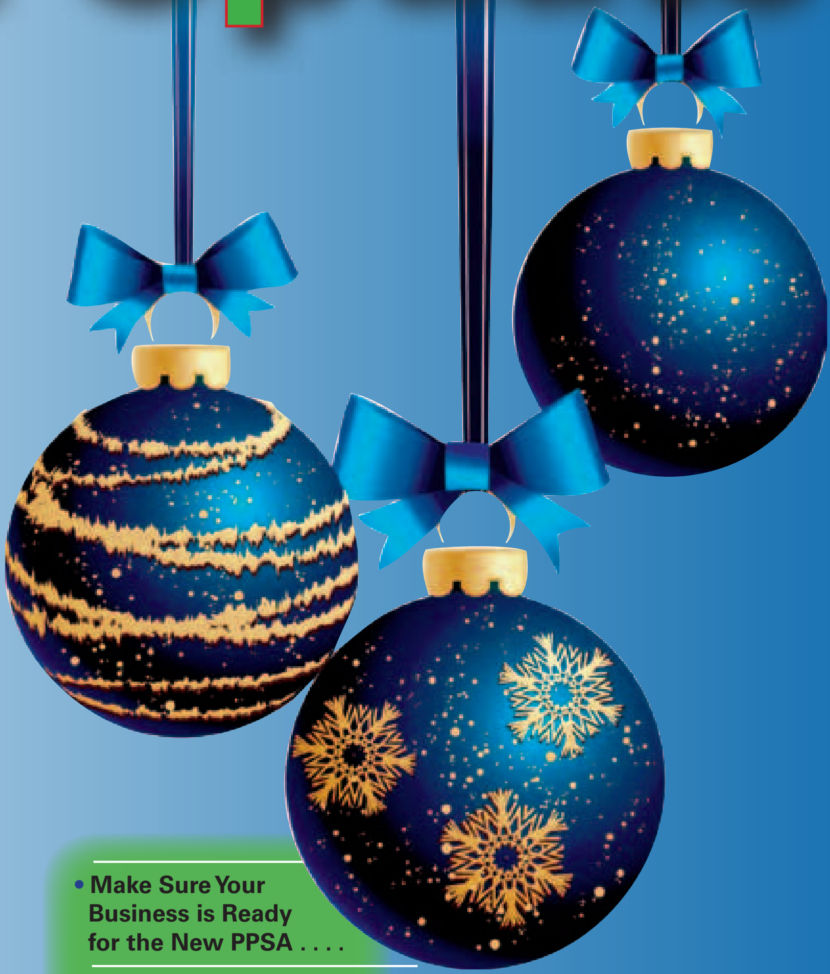
Metzke+Allen

Summer 2011

Client Update





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We have included a new link on our website to assist you with the current CPI Rates: www.abs.gov.au

370 Wyndham Street, Shepparton
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Growth • Profitability • Cash Flow • Asset Protection • Succession or Sale

Make Sure Your Business is Ready for the New PPSA

by Michael Staalkjaer LLM— Director EDX Victoria Pty Ltd

The Personal Property Security Act 2009 (PPSA) is set to commence operation in January 2012 when registration commences on the Personal Property Security Register (PPSR). Not since the introduction of the GST have businesses been subjected to legislation with such major ramifications on their business operations. Unlike the GST which was widely publicised, the government has not adequately informed businesses of the affects of the PPSA which may result in many businesses being exposed to financial loss. Just because you haven't heard about the PPSA doesn't mean it isn't going to happen or that it won't affect your business. The PPSA has changed the property landscape in Australia and businesses that are ready for the change will be best placed to reap the advantages of the PPSA.

What is the PPSA?

The PPSA is a new legal regime for personal property. Don't be fooled by the term personal property. Personal property under the PPSA includes all property/assets such as business assets, equipment, goods and inventory and only excludes land, buildings, fixtures and some statutory licences such as water rights. The PPSA not only merges many current state and federal registers but it changes the current law to require owners of personal property in far reaching circumstances to register their interest in the personal property on the PPSR in order to protect their legal ownership rights.

What businesses will be affected?

The old saying "Possession is nine tenths of the law!" seems to be what the PPSA has done to personal property. Some examples of businesses affected by the PPSA include those that sell goods on credit, lease, hire or bail goods or those that operate through an operating/asset holding company structure.

Under the PPSA a business selling goods on credit must, in order to reclaim those goods from a customer who fails to pay or from a customer who becomes insolvent, have compliant PPSA documentation in place and they must have registered their interest in those goods on the PPSR. Failure to do both steps may result in the business loosing the right to repossess the goods.

The PPSA will affect businesses that lease, hire or bail goods as it casts a wide net over what is considered a PPS Lease. Legal ownership will no longer guarantee the ability of a business to repossess their goods from a customer if the customer breaches their agreement or they become insolvent. To avoid loosing the right to repossess their goods a business must have complaint PPSA documentation and a valid registration on the PPSR.

Many businesses operate through an asset holding and operating company structure. Such structures under the PPSA may be exposed to the PPS Lease provisions of the PPSA. Businesses operating under such a structure must have compliant PPSA documentation between the companies and a valid registration on the PPSR to avoid any loss of the asset holding company's assets if the operating company becomes insolvent.

What should a business do to be complaint under the PPSA?

Businesses need to ensure that their assets will not be exposed by the PPSA so it is vital that they review their operations to assess their exposure and that they put a system in place to manage any exposure and PPSR registrations. As the PPSA has far reaching ramifications businesses should seek expert advice to ensure that their assets are protected under the new PPSA regime.

EDX provides PPSA Consultancy and PPSR Registration services. EDX can assess a business' exposure to the PPSA, set the business up on the PPSR and maintain registrations. Once the register commences in January 2012 businesses will be exposed to the PPSA whether they are ready or not so don't delay call EDX on 1300 EDX VIC (1300 339 842).

EDX is the One Stop Shop for Personal Property Securities Consultancy and Registration Services. Don't risk your assets make sure your business is ready for the PPSA. T: 1300 339 842 www.edxppsr.com.au Do it Once Do it Right Call EDX!

Rental Property Depreciation and Capital Allowances

by Pramila Santhakumar— Accountant

Owners of an investment property may be entitled to claim depreciation on the building structure and the fixtures and fittings inside the property. By using a Quantity Surveyor, you may be able to uncover further items in your property which may be depreciable.

Quantity Surveyors are qualified professionals (usually accredited by the Australian Institute of Quantity Surveyors) who work on projects ranging from small to large commercial buildings such as office blocks, factories, schools, hospitals and also residential properties.

After construction a Quantity Surveyor can provide a report which lists items in the property which may be included in tax depreciation schedules and/or replacement cost estimation where necessary (for insurance purposes, for example). Metzke+Allen can use the report prepared by the Quantity Surveyor to maximise your depreciation and capital allowances.

Some examples of Quantity Surveyor work, with reference to the applicable tax divisions:-

- When the value of an old building is unable to be indentified the Quantity surveyor can analyse and prepare an extensive report of the building construction cost enabling capital allowance deductions (Division 43) hence maximising deductions
- Quantity surveyors can also identify a wide range of depreciable assets (Division 40) to increase deductions
- By using a quantity Surveyor you can determine if your insurance cover for replacement/construction is adequate
- Capital gain tax estimation can be obtained in situations where a property owner is unable to obtain the original construction cost from the builder or in situations where records are not kept or damaged.

If you believe you may require the services of a Quantity Surveyor, please contact your Metzke+Allen accountant to determine if it is applicable in your situation.

Superannuation

by Sonali Senevirathne— Superannuation Accountant

In 1992, the current compulsory 'Superannuation Guarantee system' was introduced as a part of the reforms addressing Australia's retirement income.

The **contributions** to super funds fall into employer contributions and member/personal contributions. Government has introduced an incentive called 'Government co-contributions' to low income earning employees who make personal contributions to their super funds. People who earn less than $61,920 per year (FY 2011-2012) are eligible for this incentive. Government pays $1 for every $1 contribution up to a maximum of $1,000.

For tax purposes, contributions fall into two categories as **'Concessional'** and **'Non-concessional'**. Concessional contributions are allowed as a deduction in personal income tax return while non-concessional contributions are made from post tax income. Current caps for these contributions are as below.

	Under 50 years concessional cap	50 years and over concessional cap	Non-concessional cap
2011-12, 2010-11 and 2009-10 financial years	$25,000	$50,000	$150,000

DATE OF BIRTH	PRESERVATION AGE
Before 1 July 1960	55
1 July 1960 – 30 June 1961	56
1 July 1961 – 30 June 1962	57
1 July 1962 – 30 June 1963	58
1 July 1963 – 30 June 1964	59
After 30 June 1964	60

Any excess concessional contributions are counted towards non-concessional contributions and any excess above these caps are taxed at 46.5%.

As superannuation is money invested and saved up for retirement, access of **Superannuation Benefits** are very limited and restricted. Super benefits fall into three categories.

- **Preserved Benefits** are benefits that must be retained in the super fund until the employee's 'Preservation Age' is reached. All contributions after 1 July 1999 fall into this category. Preservation age depends on a person's date of birth.
- **Restricted non-preserved benefits** are benefits though not preserved, cannot be accessed until an employee meets a condition of release.
- **Unrestricted non-preserved benefits** are those benefits which could be accessed upon a request from the employee. This does not need a condition of release to be met as the employee had previously met a condition of release and at the time decided not to access the money in the super fund.

Self Managed Super Funds (SMSF)

Self Managed Superannuation Funds or the super funds popularly known as 'DIY' super are the fastest growing segment of the super industry. By 30 June 2010 there were over 428,000 SMSFs in Australia. The reasons for this popularity are;

1. Greater control over your money and flexibility
2. You can choose where to invest and when to invest and use your own financial adviser
3. Tax benefits

Metzke+Allen has a team dedicated to providing a complete service for SMSFs. We can assist you with establishing a SMSF and/or with annual compliance.

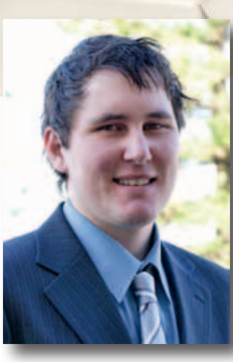
To establish and operate an SMSF, the following must happen.

1. Prepare a trust deed - The trust deed sets out how the fund will operate.
2. Appoint trustees
3. After the fund has been set up, trustees have 60 days to notify the tax office via a 'notice of election to be a regulated superannuation fund' and request a Tax File Number (TFN) and Australian Business Number (ABN).
4. Open a bank account in the fund's name. It is important to separate the fund's assets from personal and/or business assets.
5. Ensure annual compliance requirements are met.
6. Appoint an auditor

If you are keen on learning further about SMSFs, please contact us for more information.

Fringe Benefits Tax

by Carl Zabilowicz— Accountant



I bet you have all been sitting in your offices planning where to take your staff for your Christmas Party this year and contemplating what lavish gifts you are going to buy your employees.

Fringe benefits provided by you, an associate, or under an arrangement with a third party to any current employees, past and future employees and their associates (spouses and children), may attract Fringe Benefits Tax (FBT).

The provision of a gift to an employee or the provision of a party for employees is potentially a fringe benefit. Therefore before making any final decision read below to determine how much you can spend on your employees without falling into the realms of FBT.

Christmas Gifts provided to employees.

A gift provided at Christmas time may be a minor benefit that is exempt from FBT where the value of the gift is less than $300.

Christmas party held on the business premises

A Christmas party provided to current employees on your business premises or worksite on a working day may be an exempt benefit. The cost of associates attending the Christmas party is not exempt, unless it is a minor benefit.

Example

Your business decides to have a party on its business premises on a working day before Christmas. You provide food, beer and wine. The FBT implications for you in this situation would be as follows.

If…	Then…
Current employees only attend.	There are no FBT implications as it is an exempt property benefit.
Current employees and their associates attend at cost of $180 per head.	For employees – there are no FBT implications as it is an exempt property benefit. For associates – there are no FBT Implications as the minor benefit exemption could apply.
Current employees and their associates attend at a cost of $365 per head.	For employees – there are no FBT implications as it is an exempt property benefit. For associates – a taxable fringe benefit will arise as the value is equal to or more than $300.

Christmas party held off business premises

The costs associated with Christmas parties held off your business premises (for example, a restaurant) will give rise to a taxable fringe benefit for employees and their associates unless the benefits are exempt minor benefits.

Example

You decide to hold your Christmas function at a restaurant on a working day before Christmas and included are meals, drinks and entertainment. The FBT implications for you in this situation would be as follows.

If…	Then…
Current employees only attend at a cost of $195 per head.	There are no FBT implications as the minor benefits exemption could apply.
Current employees and their associates attend at a cost of $180 per head.	For employees – there are no FBT implications as the minor benefit exemption applies. For associates – there are no FBT implications as the minor benefit exemption could apply.
Current employees and their associates attend at a cost of $365 per head.	For employees and associates – a taxable fringe benefit will arise.

Tax deductibility of a Christmas Party & Gifts

The cost of providing a Christmas party or Christmas gifts is income tax deductible only to the extent that it is subject to FBT. Therefore, any costs that are exempt from FBT (exempt minor benefits and exempt property benefits) cannot be claimed as an income tax deduction.

The costs of entertaining clients are not subject to FBT and are not income tax deductible.

Note: Where a Christmas gift is provided to an employee at a Christmas party each benefit needs to be considered separately to determine if they are less than $300 in value. If both the Christmas party and the gift are less than $300 in value, they may both be exempt benefits.

Office News

Shannon Dean

Maternity Leave

Shannon Dean (Client Services Coordinator) is commencing Maternity Leave on the 12th of November. We wish Shannon and her husband all the best with their impending new family addition and relocation to Perth.

Christmas Closure

Metzke+Allen will close for our Christmas break from 12.00pm on Friday 23rd December, 2011 and re-open at 8.30am on Tuesday 3rd January, 2012 – hopefully in our new building!! As this is our last newsletter for 2011, we would like to wish you and your family a Merry Christmas and a happy, healthy and prosperous 2012. We look forward to helping you make 2012 your best year yet.

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