

Thank you for your patience...

We at Gabriels' thank you for your patience during our recent move to Caringbah.

The move and the re-establishment of files, computers and communications, at times seemed impossible to co-ordinate, however, eventually all fell into place.

Our old telephone and fax numbers will still operate until January, 2006.

We have received encouraging reports from clients about the ease of parking and the office has benefited from a new relaxed layout.

Tax effective incentives to reward employers

Good employees are the hub of any business, so any tax effective method of rewarding them is a benefit to both sides.

The Fringe Benefits Tax laws provide a challenge to rewarding employees and showing the business' appreciation, however, there are some ways of saying thank you which do not incur FBT.

These include:

Minor Benefits

These are items not given frequently or regularly throughout the year and have a value of less than \$100 (GST inclusive). **Examples include....hampers, bottles of wine, shopping vouchers, tickets to football etc, flu injections(?)**

These items and other gifts can be given to staff free of FBT. An employer would generally be able to claim full tax deductions and full input tax credits in regard to these gifts.

So, next time it is an employee's birthday, an employer may need to think twice about giving them a bottle of Grange Hermitage and substitute that particular bottle of wine with a less expensive one.



Exempt Benefits

These are benefits which are specifically free from any FBT and, as such, offer significant savings opportunities to employers. Examples include....**laptop computers (one per year), electronic diaries, briefcases, mobile phones (where there is a predominate business use), membership to airline flight lounges and taxi travel to & from work.**

In-house Benefits

An employer can also gift employees with \$500 worth of "in-house benefits" throughout the year tax free. These benefits are goods or supplies that the employer sells to third parties in the ordinary course of its business. For example, a clothing manufacturer or retailer could give up to \$500 worth of clothes to an employee tax free.

The cost would be deductible to the employer and input credits fully claimable.



Entertainment

The question of FBT and entertainment is a nightmare for small business. Generally, a party for employees would in the first instance, be subject to FBT. However, a party would be FBT free under the following circumstances

- The party is for employees only and the cost per employee is less than \$100 (GST inclusive) or
- The party is held on the employer's premises.

However, under the above, the cost of the party for the employer would not be deductible for tax purposes and there would be no entitlement to input tax credits.

(The tax man is very mean spirited).



Land Tax inequity rectified

The inequity of the zero threshold land tax was rectified in the May NSW State Budget with the reinstatement of the UCV threshold of \$330,000 for 2006 (being land owned at 31 December, 2005).

The zero threshold caused major expense and inconvenience to thousands of land owners in NSW who were required to register and pay land tax in 2005 in respect of low value investment properties and holiday homes.

The pre 2005 land tax rates will apply for 2006, being \$100 plus 1.7% of the excess over the threshold.

It's that time again and all taxpayers should review their tax position to minimize tax and maximize their deductions. Some ideas to consider are:

DEFER INCOME – Salaries, fees, bonuses, interest, dividends and rent are assessed when received. If possible, defer receipts of such income until after 30 June.

MAXIMISE DEDUCTIONS – Bring forward purchases of items and services to before 30 June. These could include stationery and consumables not included in stock on hand; subscriptions and maintenance contracts; travel tickets; repair and maintenance costs and donations to charities. Small businesses (<\$1 million turnover) in the STS regime and taxpayers incurring non-business expenditure may prepay expenses such as rent, interest, insurance, advertising and leases and obtain a full deduction. Ensure that there is a commercial benefit and that the prepayment is for a period not more than 12 months.

ASSET REGISTER – Review your asset register and depreciation schedule to identify any obsolete or unserviceable assets for disposal or scrapping prior to 30 June.

STOCK TAKE – Damaged or obsolete stock should either be separately identified and valued appropriately, or scrapped. Ensure that you maintain your physical stock count at year-end.

MEDICAL – Medical and hospital expenses should be paid prior to 30 June if already over or approaching the \$1,500 rebate level.

SUPERANNUATION – The maximum deductible contributions to a complying superannuation fund for 2004/2005 is \$95,980. To obtain a deduction for contributions in the current year, superannuation must be paid before 1 July.

Maximum deductible contributions are based on age:

Under 35	13,934
35 to 49	38,702
50 & over	95,980

Superannuation Guarantee Charge was 9% as of 1 July, 2002.

BAD DEBTS – To obtain a deduction in the current year bad debts must be written off prior to 1 July.

INVESTMENTS – There are various investment products and tax shelters which offer not only commercial benefits but also significant tax savings and include primary production operations, the film industry, leveraged equities, etc. These have varying degrees of risk, return and tax efficiency and should be carefully considered prior to commencement. If purchasing shares, consider whether they pay fully franked as opposed to unfranked dividends. While investment decisions should not be purely tax driven, the income tax liability should be considered as part of the overall decision.

MINIMISE NET CAPITAL GAINS – If capital gains were realized during the year it may be prudent to offset these by selling, before 1 July, assets that will realize a capital loss.

Please contact our office if you need tax planning advice.

2004/2005 CENTS PER KM CAR RATES

Up to 1600cc	52c
1601 to 2600cc	62c
Above 2600cc	63c



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