

CLIENT SOLUTIONS – Autumn 2012

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NASH SOLUTIONS – Practice News

Our office welcomes new staff member, Jasmin Hagan, an Administrative trainee. Jasmin is currently undertaking a Cert III and assists with reception and our total Business Management Solutions.

This issue of our Client Newsletter is issued by email to help preserve our environment. Please **advise us of your email address** if you received it by snailmail or by referral.

We have also tagged a [Nash Solutions facebook page](#) onto Grahame's personal page. **Become a friend and link so that you receive our regular tax, business, financial and lifestyle planning tips.**

CLIENT PROCESSING – 2011 Accounting and Taxation Compliance

We request that all outstanding business clients forward their 2011 records to us immediately so that we can process your returns for lodgement with minimal late lodgement penalties

TAX PLANNING SOLUTIONS

Simple strategies for 30 June 2012 year-end tax planning include:

1. Entering the Small Business Enterprise Tax Regime, especially adopting the Accelerated Depreciation – General Pool at 30% (15% in year of acquisition or disposal)
2. Deferring income;
3. Prepaying expenses;
4. Writing off bad debts;
5. Scrap Obsolete stock
6. Purchasing depreciable assets;

7. Scrapping depreciable plant;
8. Writing off small depreciable items < \$1,000;
9. Superannuation contributions;
10. Farm management deposits;
11. Realising capital losses to offset capital gains;

Contact us today to get the best tax benefits for the 2012 financial year.

TAX OFFICE SOLUTIONS- Audit Shield Service FAQ

What is the Audit Shield Service?

Audit Shield Service provides for the payment of the professional fees otherwise payable by you when incurred as a result of this firm being required to respond, on your behalf, to an Audit, Review or Investigation by the Australian Taxation Office (ATO) or other Government body (e.g. State Revenue Office, Payroll Tax).

Will my accounting fees be covered in the event of an Audit, Review or Investigation?

Yes, costs (fees) which are directly related to us attending to an Audit, Review or Investigation by the ATO, or any other Government body will ordinarily be covered (up to the limit specified on your acceptance form). The cost of these additional audit fees can be considerable depending on the length of time involved to properly attend to the matter. Normal fees associated with any usual accounting work carried out throughout the year are excluded.

What Audits, Reviews and Investigations are covered?

- Income Tax
- GST/BAS
- Fringe Benefits Tax
- Employer Obligation Reviews
- Record Keeping
- Capital Gains Tax
- Payroll Tax
- Workcover/Workers Compensation
- Self Managed Superannuation Funds (cover available separately)
- And many other lodgements

What is the benefit of the Audit Shield Service?

As described above, the fees incurred for us to correctly respond to, and resolve and Audit, Review or Investigation of your lodged returns can be considerable. Often these fees can be greater than those we charge you for completing your annual return/s. The ATO now has unprecedented access to date matching that makes it simpler and far more likely that they will audit or review previously untargeted tax payers.

The cover provides our clients with a fixed, cost effective solution to guard against unbudgeted professional fees, which may be incurred as a result of such an audit, review or investigation.

Who is Vero?

The cover provides our clients with a fixed, cost effective solution to guard against unbudgeted professional fees, which may be incurred as a result of such an audit, review or investigation. Vero Insurance Limited is a wholly owned subsidiary of Suncorp Ltd. Vero contact details: GPO Box 3999, Sydney, NSW 2011; Tel: 13 18 13; Email: veroinformation@vero.com.au

What professional fees are covered?

Fees normally payable by you up to the completion of the Audit, Review or Investigation, or until the cover limit as stated on your acceptance form is exhausted. Fees of any other outside person (e.g. taxation lawyers) or relevant consultant engaged or instructed by us to assist us in a response are also covered. Upon conclusion of the audit, we will present for payment of our fees on your behalf to the insurer for recovery against the policy.

Is the cost tax deductible?

Yes, a tax deduction should ordinarily be claimable for your participation fees.

We have carefully selected our Audit Shield policy to provide the widest possible coverage for us and our clients. We do remind our clients however that such items or circumstances as listed below are NOT COVERED:

- Audits, Reviews or Investigations where notification was given prior to the inception of cover for your confirmation or participation;
- Punitive costs such as penalty tax, costs, interest or any fine;
- If the ATO auditor imposes final culpability/shortfall penalties of 75% or more, and/or the return is deemed to have been fraudulently lodged;
- Costs for work incurred which should have been done prior to the Audit, Review or Investigation taking place;
- Marketed, Mass Marketed, or Tax Exploitation Scheme or arrangements without a product ruling;
- Any matter in relation to Child Support or Child Support Agency;
- Actions in regards to letters from any authority that are educational or advisory in nature; or merely suggest, invite or propose actions to be taken by you; or act as a warning to you that you may be selected for an audit at a future time; or do not compel you to take any action.

According to the 2011/2012 ATO Compliance Program, in the next year the ATO will:-

- Contact 400,00 taxpayers who have apparent discrepancies in the information they report
- Review over 30,000 Income Tax Return refunds before issue
- Review 24,500 Micro Businesses in regards to PAYG withholding
- Contact 12,500 mainly micro employers regarding unpaid superannuation
- Review 4,000 high risk employers Micro Businesses for non compliance with superannuation guarantee obligations
- Identify 46,00 businesses potentially under-reporting their cash income
- Undertake 580 property related GST audits and reviews

- Verify 47,000 BAS refund claims for Micro Businesses
- Review 3,400 Small to Medium Enterprises in regards to PAYG withholding
- ATO will review Contracting Arrangements in Small to Medium Enterprises
- Undertake over 12,000 audits and reviews of BAS refunds in Small to Medium Enterprises
- Conduct around 1,200 audits and reviews relating to property transactions
- Undertake approximately 480 audits and reviews of integrity of business systems in Small to Medium Enterprises
- Complete 380 risk assessments and reviews and 60 audits of the 2,660 Highly Wealthy Individuals (\$30M+)
- Complete 400 risk assessments and reviews and 55 audits of the 82,00 Wealth Australians (\$5M-\$30M)

TECHNICAL ISSUES – Warranties

We remind clients that from January 2012 any warranty document you supply against defects must comply with mandatory wordings and requirements under new Australian Consumer Laws. Does your warranty document comply?

Please contact us if you require a review of your warranty conditions.

BUSINESS & COMMERCIAL NEWS – Total Business Management Solutions

Nash Solutions is launching a new service to assist start-up and small businesses, including trades persons.

Services include any or all of the following:

- Professional office space as a CBD base for your business
- Client meeting rooms
- Administrative assistance for mail, creditor control and payment, invoicing, debtors control and collection, filing
- Secretarial and typing services
- Small business start-up assistance with registrations and record keeping
- Financial records and regular processing
- Book-keeping to a standard that your accountant would accept
- Full business advisory services including marketing from respected local marketing consultants

Services are available by the hour and at competitive rates.

If your home office is not working out and you are always neglecting your paperwork, or you have considered opening an office but can't afford the rent and a full-time assistant, then contact Grahame to tailor a cost effective solution for your business.

2011 Tax Lodgement Due Dates

Taxable Indiv, Coy and Super	15/05/12#
Mar BAS lodged through us	26/05/12
Fringe Benefits	28/05/12
Non-Tax/ Refund Indiv, Coy Super	05/06/12
Monthly BAS / IAS	21 st next month

Further extension may be available to 05/06/12 where tax payment is made by that date

FINANCIAL PLANNING

We remind clients that we provide a full range of financial planning services including investments, savings and retirement plans, life and income protection insurance, superannuation, super pension and Centrelink age pension analysis using our **'Wealthvue goal based planning system'**

Economic Update Summary

Australian economic growth – Australian economic data remains indicative of restrained activity, particularly within the non-mining economy. Labour market data for April showed a rise in employment with 15,500 new jobs recorded and the unemployment rate falling to 4.9%. The annual headline inflation rate now stands at 1.6% yoy which is below the RBA's 2-3% target range. In an effort to combat economic weakness, the RBA cut interest rates by 0.50% in May. **Outlook:** While mining investment is booming, retailing, housing, manufacturing and tourism are likely to remain soft. Given constrained global growth and soft Australian indicators, the RBA is likely to cut rates further in the months ahead.

Global growth – While the International Monetary Fund belatedly raised its global growth forecast to 3.5% from 3.3% global economic news was mixed. The US Central Bank mildly upgraded its 2012 growth forecast, but also suggested that it would consider further quantitative easing measures if the US economic recovery falters. European economic data releases have been mostly consistent with a mild recession, including April manufacturing and services business surveys. As expected the European Central Bank (ECB) left interest rates on hold in May with President Draghi noting that Europe was displaying "stabilisation in economic activity at a low level" but there were "downside risks" given the potential "intensification of tensions in euro area debt markets". Britain's economy formally slipped into a recession with the second consecutive quarterly decline in UK real gross domestic product (GDP). **Outlook:** Europe's debt problems pose the biggest threat to the global recovery. Continued growth is likely elsewhere with the US expected to grow 2% this year, China 8% and the world 3%.

Investment Outlook by asset class

Australian Equities – Australian shares proved to be resilient in the face of global weakness. The ASX200 pushed further beyond the previous ceiling of 4300 over the month as investors started to recognize value in the local market after two years of relative underperformance, helped by the A\$ softening and expectations for lower interest rates. The S&P/ASX 200 Accumulation Index returned 1.4% for the month overall. **Short-term outlook:** While shares

might be in for a rougher patch, Australian shares are likely to provide positive returns on a 12 month view. **Medium-term outlook:** Reflecting reasonable growth prospects, medium term returns of around +10% per annum are likely (or +11.5% if franking credits are allowed for).

International Equities – Global share markets were volatile in April on worries about a renewed intensification of the Eurozone crisis. Global shares then partially recovered with improved US economic data and corporate earnings. Chinese shares rose on expectations that growth was bottoming and hopes for further monetary easing. The leading measure of global share market performance, the MCSI World (ex-Australia) Accumulation Index, returned -1.6% in local currencies (or -1.7% in unhedged Australian dollar (A\$) terms). **Short-term outlook: (6 to 12 months)** Following strong March quarter gains and given ongoing uncertainties regarding the global growth outlook, shares are likely to go through a rough patch over the next few months. However, valuations are attractive, the global recovery should continue (although Europe has likely entered a mild recession) and monetary conditions should remain easy, all pointing to gains on a 12 month horizon. **Medium-term outlook: (5 to 10 years)** Constrained profit growth will see medium-term returns from mainstream global shares of around +7.0% per annum on average in local currency terms. Shares are likely to remain volatile though reflecting constrained growth in advanced countries.

Australian Listed Property Trusts – The Australian real estate investment trust (AREIT) market outperformed the broader Australian share market by returning 5.5% for the month of April as measured by the S&P/ASX 200 Property Accumulation Index. The S&P/ASX 200 Accumulation Index returned 1.4% for the month. **Short-term outlook:** Property stocks have recapitalised and are good value from a long-term perspective. With improved yields, AREITs should provide solid returns over the next 12 months. **Medium-term outlook:** Solid yields and moderate growth prospects suggest medium-term returns of around +8.5% per annum are likely.

International Bonds – Global bonds rallied at the start of the month on worries about a renewed intensification of the Eurozone crisis and a subdued US jobs report. **Short-term outlook:** Sovereign bonds are poor value given low yields, but are a good diversifier if the global growth outlook deteriorates again. **Medium-term outlook:** Global sovereign bonds are likely to see low returns, reflecting currently low bond yields and the likelihood of capital losses when yields eventually return to more normal levels.

Australian Bonds and Cash: Australian bond yields weakened further over the month on lowered interest rate expectations. Three-year Australian government bonds opened the month at a yield of 3.48% and closed 47bps lower at 3.01%. Ten year bond yields also fell, opening the month at 3.98% and closing 31 bps lower at 3.67%.

Short-term outlook: Australian bonds are poor value at current yields but they are a good diversifier against global concerns. **Medium-term outlook:** Returns from local sovereign bonds over the medium term are likely to be low, reflecting a 61 year low in long-term bond yields.

Australian Dollar – During April the A\$ rose against the US dollar (US\$) and the currencies of Australia's major trading partners but fell against the Japanese Yen. Soft commodity prices and subdued Australian economic data saw the A\$ initially fall below US\$1.03. However, a rise in commodity prices towards month-end helped by a weaker US\$ pushed the A\$ higher.

Short-term outlook: The A\$ is vulnerable to further short-term weakness on the back of worries about global growth and further monetary easing in Australia. **Medium-term outlook:** High commodity prices and strong growth in China are likely to see the A\$ remain firm over the medium term.

FINANCE

Thinking of buying a new vehicle?

We remind clients that car dealers play many tricks with new car prices, trade values and in-house finance in order to spruik up their 'deal'. We are in a position to advise you on how to get the best actual deal when trading.

Find your new car and then contact Suzanne for advice before you commence negotiations with the dealer.

SPECIAL TOPIC – Getting a head start on 2012

Super Cap uncertainty remains

The concessional contribution cap for super fund members aged 50 or over is scheduled to reduce from \$50,000 pa to \$25,000 pa on 1 July 2012.

The Government has looked into ways of enabling people in the 50+ age group to make contributions higher than \$25,000 pa from 1 July 2014. However, these proposals have not been legislated yet and there is no guarantee they will.

Therefore, clients with sufficient cash-flow may want to take advantage of the current cap by making Contributions of up to \$50,000 by 30 June 2012. If you are currently salary sacrificing to super in excess of \$25,000 pa then you need to contact us to review your salary packaging arrangements so that you do not exceed that cap in 2013 and pay penalty tax.

Low income superannuation contributions to start

From 1 July 2012, clients with an adjusted taxable income of up to \$37,000 pa will receive a low income superannuation contribution (LISC) up to a maximum of \$500. This effectively refunds the 15% contribution tax payable on the 9% super guarantee contributions made by employers for low income earners.

Co-contributions not so super

To coincide with the commencement of LISC on 1 July 2012, the co-contribution will reduce from \$1,000 to \$500. The matching rate will drop from \$1.00 to \$0.50 and the cut-off threshold will fall from \$61,920 to \$46,920. Clients who are ineligible for the co-contribution from 1 July 2012 will need to review their retirement savings plans and consider making additional contributions.

Minimum pension payments rise on hold

The Government has announced the 2011/12 minimum pension payments will continue at 75% of the gazetted amount for another 12 months. This is good news for clients who want to keep more money invested in their pension to participate in any market recovery. It will also benefit clients who are combining salary sacrifice

contributions with a transition to retirement(TTR) pension and are currently receiving the minimum income payment. This is because they will receive less surplus income if the CC cap halves on 1 July 2012.

Some carbon tax measures provide relief

Now that the Clean Energy Legislation Package has been passed, from 1 July 2012:

- The effective tax-free threshold on ordinary (non-pension) income will increase from \$16,000 to \$20,542
- Lower income earners will make significant tax savings, and
- The maximum taxable income that can be received tax-free from a superannuation pension by people aged 55 to 59 will increase by approximately \$1,500 to \$49,753 pa.

A range of payments and supplements will also be made, starting in May or June 2012.

TPD Policy Tax Deductions

From 1 July 2011, super funds are not able to claim a full tax deduction for premiums on TPD policies that don't provide a "disability superannuation benefit".

Clients with TPD in super should consider whether to retain the policy or move the cover outside super.

However, if the strategy was right before 1 July this year, and circumstances haven't changed materially, then holding TPD in super is still a viable strategy despite the deductibility changes.

A key reason is many super funds/insurers have decided to absorb the additional cost for stand-alone policies. Also, with funds that will not or cannot absorb the cost, the increase is likely to be quite small.

Clients with Self Managed Superfunds that hold TPD policies should also consider whether they will:

- Adopt the deductible percentage specified in regulations for the particular policy type, or
- Use an actuary to determine the deductibility proportion, which will cost more but may be worthwhile doing if the premium payments are sufficiently high.

While this decision technically doesn't have to be made until the fund lodged its 2011/2012 return, it's a good idea to think about it well before then.

Small Business Asset Write-off

From the 2012-13 income year, small business can:

- Immediately write-off of all assets (except new motor vehicles) valued at under \$6,500 (increase from \$1000)
- New motor vehicles subject to a \$5000 immediate write off plus depreciation on the balance (subject to MV cost limit)
- Write-off all depreciable assets in a single depreciation pool at a rate of 30 per cent (15 per cent in the first year).

Please contact us to clarify how these changes can be applied to your advantage.

Acknowledgement: We wish to acknowledge Dr Shane Oliver, Head of Investment Strategy & Chief Economist of AMP Capital as the source of the information used in the preparation of this newsletter. The economic and investment analysis content of this newsletter is based on their latest published Market & Economic Report for May 2012.

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