



horizon

tax policy announcements under new leadership

AUTUMN 2008

this issue

Following the recent Labor party win at the Federal election, the country is now looking to the coming years and what tax changes are likely to occur under this new leadership. Here are some of the tax policy announcements that were made by Labor during the election campaign as a predictor to what we may expect:

Tax plan

- Provide tax cuts for individuals earning up to \$180,000 and defer tax cuts for those earning more than \$180,000.
- Introduce an education tax refund for all families receiving Family Tax Benefits.
- Reduce the number of personal income tax rates to three (15%, 30% and 40%).
- Support the tax cuts outlined in the 2007/08 Federal Budget.
- Increase the effective tax free threshold from \$11,000 to \$16,000 and also adjust the Senior Australians' Tax Offset.
- Reduce Fringe Benefits Tax in line with the top marginal tax rate.

Increased child care tax rebate

- Increase the child care tax rebate to 50% (paid quarterly), covering up to \$7,500 of out-of-pocket costs per child.

First home saver accounts

- Eligible first home buyers will qualify for a 15% co-contribution on the first \$5,000 they deposit to their special account each year. Interest earned will also be taxed at 15% or less, rather than the ordinary tax rate they would face.

Rental affordability scheme

- Proposed an allocated \$6,000 tax incentive to eligible institutional investors who construct new affordable rental accommodation. A further \$2,000 would be available in direct or in kind financial support from state governments for eligible institutional investors who access the tax incentives

■ tax policy announcements under new leadership	1
■ mum and dad investors are being unfairly hit with GST	2
■ what is the future for your business?	2
■ superannuation and new borrowing rules	3
■ what does your credit history say about you?	3
■ industrial relations under new leadership	3
■ team updates	4

www.hanrickcurran.com.au

mum and dad investors are being unfairly hit with GST

Since their inception, GST laws have been designed so that the supplier of goods and services are required to calculate the GST and onforward this amount to the ATO. In most instances, the purchaser isn't required to accept any direct GST liability.

However, in some cases this is complicated when a purchaser who is registered for GST may have an 'increasing adjustment' if they acquire an item GST-free, but don't use it in the specified way.

Examples of this exception to the rule are now being seen to affect many Mum and Dad investors in coastal units and apartments.

The ATO is starting to see an increasing number of instances of property investors being unfairly caught by GST laws. Common examples of investors being caught out are similar to the following:

- A developer builds a high rise holiday complex in a popular holiday destination;
- The developer then rents out the units to the public under a lease arrangement; and then
- Sells the units to individual 'Mum and Dad' type investors who will also lease out their 'new' apartment.

This is when the issues become complicated because both the developer and the investor are leasing the property. The unit or apartment can initially be transferred GST-free under the 'going concern' provision.

However, the real problem is that when Mum and Dad continue to rent out the property, they won't be charging GST to the tenants because the premises are residential. As they are more or less removed from the GST system, the Act says that they will basically have to pay 10% GST on the purchase price to the ATO. This is called the 'increasing adjustment'.

The ATO is becoming increasingly aware of these situations. There have been recent instances where vendors are requiring purchasers to register for GST prior to settlement. This is done on the pretext that if the purchaser is registered they won't have to pay the GST on the new residential premises.

What, of course, isn't disclosed is the increasing adjustment. With the vendor now in the clear, the ATO has no choice but to pursue the purchaser.

The ATO has warned this is a 'classic case of buyer beware', and they recommend that all parties to a contract should seek independent legal advice to protect their interests before signing.

This is just one example of the many hidden traps when buying property and other such assets. If you are considering such an acquisition, this serves as a timely reminder to consider such possible tax consequences before entering into any contract. For more information about tax implications, please contact Jamie Towers on 3229 6966 or email Jamie.Towers@hanrickcurran.com.au.

what is the future for your business?

Succession planning has been in the spotlight federally recently with many commentators citing the Liberal leadership succession plan and their failure to look to the future as key reasons for their defeat.

A recent survey was conducted of more than 300 business leaders, and interestingly 58% of those surveyed did not have a succession plan that involved them personally. It is clear that if a succession plan isn't well structured, the ability to align it with business strategy is limited.

With a new year just started, it's a good time to look at succession planning for yourself and your business. Any succession plan will need to deal with many legal, strategic and financial issues, which our team is able to assist with.

For information on succession planning and its importance to you and your business, please contact the Director in charge of your affairs or Shaun Donaldson on 3229 6966.



superannuation and new borrowing rules

As expected, there has been a huge amount of interest in the recent changes to the Law which allow Self Managed Superannuation Funds to borrow, particularly for investment in real estate.

The recent changes to Section 67 of the SIS Act enable a superannuation fund to:

- Borrow from a bank or other lender
- Purchase an investment provided it is held on trust for the fund
- Allow the investment being purchased to be offered as security e.g. a mortgage
- Make loan repayments as instalments like an 'instalment warrant'

Borrowing must be on a 'limited recourse' basis. This means that the lender can only have recourse to that particular investment, and no other assets of the superannuation fund.

A 'Warrant Trust' stands between the super fund and the lender to ensure the fund fulfils its obligations. On repayment of the outstanding loan, the investment becomes the property of the super fund. The super fund receives all the income from the asset and uses this to pay interest to the bank as well as principal repayments (instalments). Your contributions to superannuation each year can help pay off the debt faster.

The new rules allow a superannuation fund to borrow using a warrant trust to invest in commercial or residential real estate, listed shares, managed funds or, indeed, anything that the super fund is permitted to invest in under the current rules.

For more information, please contact Chris Campbell on 3229 6966 or email chris.campbell@hanrickcurran.com.au

what does your credit history say about you?

You are now able to access a full copy of your credit file online. Through Veda Advantage you can apply online to receive a full copy of your credit file. You can have a copy of your report sent to you by email, post or fax within one working day for a cost of \$27. Or else a free service is available for the report to be sent to you within ten working days.

To obtain a copy of this report all you are required to provide is your full name, date of birth, driver's licence number, current residential address, previous address, current and previous employer and the name of the organisation to which you last applied for credit. A copy of your credit file or insurance file will then be sent to you as requested.

Visit www.mycreditfile.com.au for more information about this service.

industrial relations under new leadership

Following the change of government in 2007, new draft national employment standards have been recently released as an introduction to the new Industrial Relations system under the ALP.

The proposed standards will apply to all employees nationally and will cover 10 main areas of employment, including:

A **standard working week** of 38 hours, with no employee required to work unreasonable additional hours.

The right for both parents to request 12 months unpaid **parental leave**. This can be taken sequentially (potentially allowing a child to have a parent at home for the first 2 years).

The rights for parents of young children to request **flexible working arrangements** up to school age.

Four weeks paid **annual leave** per year.

Ten days paid **personal and carer's leave** per year plus two days compassionate leave.

Community service leave for jury duty and emergency services work.

Protection of **public holidays**.

The right to basic **workplace information**.

Fair notice of **termination** plus guaranteed redundancy pay for employees at workplaces with more than fifteen employees.

Guaranteed **long service leave** for all employees. Labor will later work towards achieving a nationally consistent long service leave scheme.

These new standards are likely to apply from January 2010 and will form one part of the safety net. The second part will commence with the move to a 'modern, simple award system'.

If you are unsure of any of your Industrial Relations responsibilities, please contact Kelly Langdon on 3229 6966.

avaiiö[™]
people. capital
HR. Resourcing Solutions

team updates

introducing Pamela van Straaten



Hanrick Curran is pleased to introduce Pamela van Straaten to the firm as a Manager within our Business Advisory division.

Pamela has recently relocated to Australia after gaining extensive experience internationally. She brings with her a wealth of knowledge having been educated in the United Kingdom and gaining her professional membership in South Africa and New Zealand.

Pamela's expertise is broad ranging having advised clients of all sizes from small businesses, large family owned enterprises and listed companies on local and international stock exchanges. Her client base has been primarily within the manufacturing, property development and investment industries.

Pamela's key areas of expertise include taxation and business advice, business valuations, due diligence, management accounting, and audit and assurance.

HC Hornets

The HC Hornets, Hanrick Curran's netball team, have recently reached the end of yet another summer season of netball. Unfortunately, despite finishing in the top four, the team lost in the first week of finals.

The team performed impressively during the season, and had a number of players joining in for the first time. A big thank-you to our keen players for their continued efforts each week. The HC Hornets have been proudly represented by: the impassable duo in defence of Kelly Langdon and Ben Scott; the speedy centre court players Frances Hill, Catherine Tellam, Wendy Low and Robert Bates; and the amazingly accurate shooters Christy Young and Shaun Donaldson.

A great season has been had by all involved and training has now begun for the next season of fierce competition.

new appointments

We are pleased to welcome a number of new people to the firm. In January 2008, we welcomed a number of new graduates and undergraduates as part of our ongoing commitment to development and providing opportunities for new team members. We hope to share the future successes of our new staff with you over the coming years.

- Louis Fouché has joined our team as Associate Director within our Business Advisory division.
- Pamela van Straaten and Samantha Paul have joined our management team in our Business Advisory division.
- Ben Scott, Ben Wyeth, Catherine Tellam, Gordon Wee, Jarryd Lazzarini, Jessica Bonner, Josephine Lam, Julie Suryaatmadja, Sara Winstanley, Scott Greedy, Shane Phelan, Tamara Salahoru and Vincent Shi have joined our Business Advisory division.
- Elliot Johnson and James Hoeft have joined our Audit and Assurance division.
- Belinda Templeton, Caitlin Farley, Jayde Scott and Tanya Kwocksun have joined our Administration team.

client service improvements

We are committed to maintaining and improving the levels of professionalism and service that you have come to expect from Hanrick Curran. If you believe our service could be improved in any area, please let us know. Each team member has a personal interest and commitment to ensuring you receive the best possible service and performance.

visit us online

www.hanrickcurran.com.au

and

www.availio.com