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Client Information Bulletin

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Contents

- 1 > Self Managed Superannuation Funds – Issues to consider
 - > Superannuation crackdown
- 2 > Motor vehicle expenses - cents per km
 - > Business travel rates 2008-09
 - > Research & development (R&D)
- 3 > Climate ready program launch
 - > Company financial reporting obligations
 - > Council rate notices
- 4 > Appendix: Business Travel Rates 2008-09

Self Managed Superannuation Funds – Issues to consider

Self Managed Superannuation funds (SMSF) are growing in popularity as investors become more sophisticated and aim to have greater control over their retirement savings.

Investors should however, consider several issues when opting to self manage including:

- The high level of compliance required to satisfy:
 - The Superannuation Industry (Supervision) Act 1993
 - The ATO as the regulator, and
 - The fund's auditor.
- Annual charges which may range between \$3,000-\$5,000 for an average sized fund, including administration, accounting, tax and audit fees.
- The time required, and investment expertise needed to properly manage the investments. In the current investment climate of reducing asset values, these issues will come to the fore.
- The question – would a professional fund manager be able to obtain higher investment returns than the trustee of the fund.

After considering these issues you may still decide the cost of compliance is less than the fees charged by both insurance companies and industry funds.

If you have the time and expertise to devote to properly manage your investments, and you have advisors that you can call on as needed, setting up a

SMSF may be your best option to earn reasonable returns on your investments.

Regardless of which decision is taken, it should be an informed decision. Blaze Acumen can advise upon the compliance costs and taxation benefits of setting up a Self Managed Superannuation Fund.

Superannuation crackdown

The ATO has announced they will be cracking down on employers who fail to pay compulsory superannuation contributions on behalf of their workers. Please ensure that you pay nine per cent of ordinary time earnings by the following due dates:

Quarter	Due Date
1 July - 30 Sept	28 October
1 Oct - 31 Dec	28 January
1 Jan - 31 Mar	28 April
1 Apr - 30 Jun	28 July

If you fail to pay your employees' superannuation by this date, fines will be imposed and no tax deduction will be allowed for the payment of the late superannuation.

Employers must also notify their employees of the amount of superannuation contributed and where it has been paid.

Motor vehicle expenses - cents per km

The motor vehicle cents per kilometre rates for 2008-09 have been issued by the Tax Office and are listed below. Please note these rates remain unchanged from 2007-08.

<u>Engine Capacity</u>	<u>Rate Per KM</u>
Up to 1600 cc	58 cpcm
1601cc to 2600cc	69 cpcm
2601cc and above	70 cpcm

Where your business use of a motor vehicle is greater than 70 per cent, it is recommended that a logbook be maintained as this is likely to increase the tax deductions available. A logbook is not required for commercial vehicles that are designed to carry more than one tonne.

Business travel rates 2008-09

The Tax Office has released the 2008-09 travel, accommodation and meal allowance rates.

When claiming travel allowance expenses and overtime meal allowance expenses the following key points must be remembered:

- **The claim must be allowable** - A deduction claim cannot exceed the amount actually incurred for work-related purposes. The payment of an allowance

does not of itself allow a deduction to be claimed.

- **An allowance must be paid** - The substantiation exception only applies if the employee is paid an overtime meal allowance or a travel allowance. The allowance must have an identifiable connection with the nature of the expense covered.
- **For travel allowance expenses** - The employee must sleep away from home.
- **The substantiation exception** - Where the amount claimed is no more than the applicable reasonable amount, substantiation of the claim with written evidence is not required.
- **Claims in excess of reasonable amounts** - If the amount claimed is more than the reasonable amount, the whole claim must be substantiated with written evidence, not just the excess.
- **Verification of reasonable claims** - In appropriate cases, where the substantiation exception is relied on, the employee may still be required to show:
 - How they worked out their claim;
 - An entitlement to a deduction (for example that work-related travel was undertaken);
 - A bona fide travel allowance was paid; and
 - If accommodation is claimed, that commercial accommodation was used.

The nature and degree of evidence will depend on the circumstances: for example the circumstances under which the employer pays allowances, the occupation of the employee, and the total amount of allowances

received and claimed during the year by the employee.

- **Tax return treatment** - Where a travel or overtime meal allowance which does not exceed the reasonable amounts is not shown on the payment summary, and it has been fully spent on deductible expenses, neither the allowances nor the expenses need be shown on the employee's tax return.

If an amount less than the allowance has been spent, the income tax return must include the allowance and the expense claimed.

Whenever a claim is made for overtime meal or travel allowance expenses the allowance must also be included in the tax return.

For a detailed listing of the 'reasonable amounts' as outlined by the ATO please refer to the Appendix.

Research & development (R&D)

Are you involved in research & development to create new or improved materials, products, devices, processes or services?

Did you know that you can claim 125 per cent and up to 175 per cent tax deductions for eligible expenditure in certain circumstances?

In order to be eligible you need to register for the income year with the Industry Research & Development Board and meet the minimum R&D threshold expenditure of \$20,000 or contract your R&D to an approved Registered Research Agency. You also need to have a R&D plan.

Detailed information about the R&D Tax Concession is available in the *Guide to R&D Tax Concession* on the AusIndustry website www.ausindustry.gov.au

If you would like more information on how to claim a deduction for R&D please contact us.

Climate ready program launch

In a media release issued on 29 July, the Minister for Innovation, Science and Research, Senator Kim Carr, announced the Government's \$75m *Climate Ready program* was open for applications.

The program will support Australian businesses developing new products, processes and services to tackle climate change by providing dollar-for-dollar support for research and development, proof-of-concept and early-stage commercialisation activities.

Applications are expected in areas as diverse as water recycling, waste recovery, small scale renewable energy technologies, green-house building materials, and other products, processes or services to monitor emissions or reduce energy use. The Senator said that applicants can apply for grants ranging from \$50,000 to \$5m.

For further information visit the AusIndustry website at: www.ausindustry.gov.au or call the hotline on 13 28 46.

Company financial reporting obligations

Large Proprietary Companies must lodge Financial Statements. Set out below for Officeholders is the current criteria used to assess if a company is (or has become) a Large Proprietary Company.

Criteria

A Proprietary Company is considered to be a Large Proprietary Company for a financial year if it satisfies at least two of the following conditions:

- The consolidated revenue for the financial year of the company and the entities it controls (if any) is \$25m or more
- The value of the consolidated gross assets of the entity for the financial year of the company and the entities it controls (if any) is \$12.5m or more
- The company and the entities it controls (if any) have 50 or more employees at the end of the financial year.

If any two of the above criteria holds true for the company then it is considered a Large Proprietary Company.

It must therefore lodge financial statements for the relevant financial year with a form 388 *Copy of Financial Statements and Reports*.

The Financial Statements and Reports form must be lodged within four months after the end of the company's financial year end.

A Small Proprietary Company is not required to lodge Financial Statements or Reports unless:

- Directed by ASIC or shareholder(s) with at least five per cent of the vote; or
- Controlled by a foreign company for all or part of the year and is not consolidated for that period in financial statements for that year lodged with ASIC:
 - (i) By either a registered foreign company; or
 - (ii) A company, registered scheme, or disclosing entity

Council rate notices

Municipal Council's are currently issuing their Rate Notices for 1 July 2008 to 30 June 2009.

Included in this year's Rate Notice is a 'Notice of Valuation' which has been set at 1 January 2008.

Councils are required to revalue properties on a bi-annual basis.

It is important you check the valuations – particularly the site valuation as this valuation is the valuation that will be used to calculate your land tax.

If you wish to object to your valuation you only have a period of two months from the date of notice as placed on the 'Council Rates Notice'.

If you do need any assistance in obtaining the forms or completing the objection, please contact us.



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DISCLAIMER: The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein.

Appendix: Business Travel Rates 2008-09

Reasonable amount for 2008-09

The reasonable amounts for daily travel allowance expenses, according to salary levels and destinations, for the 2008-09 income year are shown in Tables 1 to 5 as follows:

Table 1: Employee's annual salary - \$90,000 or below				
Place	Accomm. \$	Food & drink \$ B'fast 21.10 Lunch 23.65 Dinner 40.65	Incidentals \$	Total \$
Adelaide	145	85.40	15.90	246.30
Brisbane	198	85.40	15.90	299.30
Canberra	133	85.40	15.90	234.30
Darwin	159	85.40	15.90	260.30
Hobart	117	85.40	15.90	218.30
Melbourne	162	85.40	15.90	263.30
Perth	148	85.40	15.90	249.30
Sydney	183	85.40	15.90	284.30
High cost country centres	See Table 4	85.40	15.90	Variable - see Table 4
Tier 2 country centres (see Table 5)	106	B'fast 18.85 Lunch 21.55 Dinner 37.15	15.90	199.45
Other country centres	89	B'fast 18.85 Lunch 21.55 Dinner 37.15	15.90	182.45

Table 2: Employee's annual salary - \$90,001 - \$160,100				
Place	Accomm. \$	Food and drink \$ B'fast 22.90 Lunch 32.45 Dinner 45.45	Incidentals \$	Total \$
Adelaide	155	100.80	22.70	278.50
Brisbane	228	100.80	22.70	351.50
Canberra	168	100.80	22.70	291.50
Darwin	170	100.80	22.70	293.50
Hobart	150	100.80	22.70	273.50
Melbourne	192	100.80	22.70	315.50
Perth	184	100.80	22.70	307.50
Sydney	200	100.80	22.70	323.50
High cost country centres	See Table 4	100.80	22.70	Variable - see Table 4
Tier 2 country centres (see Table 5)	127	B'fast 21.10 Lunch 21.55 Dinner 41.95	22.70	234.30
Other country centres	107	B'fast 21.10 Lunch 21.55 Dinner 41.95	22.70	214.30

Table 3: Employee's annual salary - \$160,101 and above				
Place	Accomm. \$	Food & drink \$ B'fast 25.00 Lunch 36.00 Dinner 57.30	Incidentals \$	Total \$
Adelaide	209	118.30	22.70	350
Brisbane	231	118.30	22.70	372
Canberra	216	118.30	22.70	357
Darwin	195	118.30	22.70	336
Hobart	195	118.30	22.70	336
Melbourne	265	118.30	22.70	406
Perth	275	118.30	22.70	416
Sydney	265	118.30	22.70	406
Country centres	\$186, or the relevant amount in Table 4 if higher	118.30	22.70	Variable - see Table 4 if applicable

Table 4: High cost country centres - accommodation expenses			
Country centre	\$	Country centre	\$
Ballarat (VIC)	116.00	Kalgoorlie (WA)	116.50
Bendigo (VIC)	122.00	Karratha (WA)	243.50
Broome (WA)	173.00	Kununurra (WA)	147.00
Burnie (TAS)	123.00	Launceston (TAS)	115.50
Cairns (QLD)	120.50	Mackay (QLD)	112.00
Carnarvon (WA)	133.00	Maitland (NSW)	108.00
Christmas Island (WA)	122.50	Mount Gambier (SA)	107.00
Cocos (Keeling) Islands	110.00	Mount Isa (QLD)	115.00
Dampier (WA)	158.50	Naracoorte (SA)	106.00
Derby (WA)	165.00	Newcastle (NSW)	116.50
Devonport (TAS)	115.50	Newman (WA)	150.00
Emerald (QLD)	106.00	Norfolk Island	108.00
Exmouth (WA)	173.50	Pt Hedland (WA)	247.00
Geraldton (WA)	116.00	Pt Lincoln (SA)	106.00
Gladstone (QLD)	111.00	Port Macquarie (NSW)	115.00
Gold Coast (QLD)	135.00	Thursday Island (QLD)	180.00
Halls Creek (WA)	132.00	Warrnambool (VIC)	113.00
Hervey Bay (QLD)	109.50	Weipa (QLD)	138.00
Horn Island (QLD)	139.00	Wilpena-Pound (SA)	135.00
Jabiru (NT)	190.00	Wonthaggi (VIC)	122.00
Kadina (SA)	107.00	Yulara (NT)	313.00

Table 5: Tier 2 country centres	
Country centre	Country centre
Albany (WA)	Geelong (VIC)
Alice Springs (NT)	Horsham (VIC)
Bairnsdale (VIC)	Innisfail (QLD)
Bathurst (NSW)	Port Augusta (SA)
Bordertown (SA)	Portland (VIC)
Bright (VIC)	Renmark (SA)
Broken Hill (NSW)	Roma (QLD)
Bunbury (WA)	Orange (NSW)
Castlemaine (VIC)	Seymour (VIC)
Ceduna (SA)	Swan Hill (VIC)
Dalby (QLD)	Townsville (QLD)
Dubbo (NSW)	Wagga Wagga (NSW)
Echuca (VIC)	Whyalla (SA)
Esperance (WA)	Wollongong (NSW)

Overseas travel rates are also available. Contact your Chartered Accountant should you need more information.