



Message from the Partners

Farewell to 2009 and we welcome in 2010. On 30th June, we farewelled one of our longstanding partners Ian Yeo in fine fashion and wished him and his wife, Helen, all the very best for a long and happy retirement. 2010 at McConachie Stedman brings a new era as we introduced our first ever non-accounting Partner, Steve Kirkman. Steve heads up the Financial Planning division which specialises in providing strategic advice in Retirement Planning, Self Managed Super Funds, Wealth Creation and Cash Flow Management, Insurance Solutions and Finance Solutions.



What does 2010 have in store for you? The first home buyers grant is being phased back as of the end of September, there is a predicted interest rise by the end of the year and the ATO are getting tougher on the cash economy. It's not all doom and gloom as the investment allowance is still available until the 31 December 2009 and new measures have been announced to assist small businesses pay their activity statement debt, interest free.

This edition of the newsletter focuses on the cash economy, compliance targets for 2010 and proposed government changes that have now been legislated. If you fall under any of the categories mentioned please be sure to pay particular attention to these changes.

Our accounting staff are now offering a new service which we are referring to as **MCSnap**. The 'SNAP' stands for Solutions Now Analysing Performance. Using latest technology, we are able to perform a health check on your business and offer solutions to issues such as cashflow wastage, debtors management and stock control, etc. Would you like to know the financial impact of every business decision before you make that decision—SNAP can be of great assistance. In the process, we are also able to value your business and ascertain it's worth now to work towards a wealth creation strategy and succession plan to ensure financial success.

As always, please do not hesitate to contact your advisor if you wish to discuss any of the articles or other matters.

Jane Heidrich

The Cash Economy and the new Personal living expense guide

The ATO has developed a new guide to explain the importance they place on examining taxpayers' household expenditure when identifying omitted cash income in the course of review or audits. The ATO will calculate the taxpayer's family's living expenses, and compare this to their declared income—if the income is less than the expenses, this will trigger further investigation.

Personal living expenses worksheets

During an audit, the ATO often asks taxpayers to complete a questionnaire detailing the living expenses for their household. The worksheet provides information relating to taxpayers' personal living expenses including tobacco and alcohol, heating, power, water and sewerage, phone gardening and security, eating out, takeaways, lunches and coffees, lottery tickets, clothing and footwear, and 'grooming' expenses.

The majority of these expenses can be cross checked with third parties (banks, utilities, etc.) but some expenses will be estimated. During the course of an audit, if the ATO re-assesses the taxpayer's income to a higher figure, the taxpayer would have to prove the ATO's assessment is excessive in court.

The taxpayer may also have to pay penalties and interest.

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Thank you Ian Yeo

Seminars

Self Managed Super Funds—Are they a better option for you? - Tuesday 6th October— see pg 4 for details.

Meeting rooms for hire

McConachie Stedman has a **Boardroom** (seats 20) and a **Conference** room (seats 8) available to hire Monday to Friday. Contact Charmaine on 4632 1966 or email charmaine@mccon.com.au for hire charges and to check availability for your next meeting.

Contact Us

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Your privacy is important to us. If you do not wish to receive information like this in the future please contact us.

DISCLAIMER:

Important: This is not advice. Clients should not act solely on the basis of the material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought by acting in any of the areas. This newsletter is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

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ATO's 2009/10 Compliance targets

The Tax Office has signalled that it will soon be issuing its 2009/10 Compliance Program setting out where it intends to concentrate its audit activity.



Some of the things the Compliance Program will concentrate on include:

- Early identification of businesses that need help (particularly small businesses) and may fall behind in payments. Early indicators are late lodgements, or payment hiccups;
- Continuing development of industry benchmarks, which will be used in audits;
- Ensuring employers comply with their PAYG and superannuation obligations;
- Serial bankruptcies; and
- Highly paid individuals.

Superannuation and SMSFs

The ATO is also about to increase its pressure on trustees of SMSFs and their approved auditors.

In the last 12 months they made 60-70 funds non-complying, and more cases are coming through. One fund, whose trustees extracted funds for their own use, had to pay penalty tax of 45% on the value of the assets of the SMSF—a costly decision.



Cash-strapped small business -

Help from the ATO

On 1 June 2009 the ATO introduced new measures to help small businesses that are struggling to manage their activity statement obligations in the current economic climate.

12 month GIC-free payment arrangements

Businesses with an annual turnover of less than \$2 million and an activity statement debt can apply to the ATO for a GIC-free payment arrangement from now until 30 June 2010.

The General Interest Charge (GIC) will be remitted for a period of 12 months from the day the arrangement was entered into, provided the payment arrangement is maintained. If a payment arrangement entered into prior to 1 June 2009 is renegotiated after 1 June 2009, the new arrangement will be treated as a GIC-free payment arrangement subject to the eligibility criteria being satisfied.

Deferred activity statement payment due dates

Businesses with an annual turnover of less than \$2 million can request a deferral of payment on their next activity statement. Businesses with short term cash flow problems that pay quarterly and annually may be granted a deferral of up to two months, with those that pay monthly eligible for up to one month.

The due date for lodgement is not affected by the payment deferral, but no general interest charge will be payable for the period of the deferral.

To be eligible you must make the payment deferral request on or before the original due date.

Claiming the tax break on laptops



To meet the Tax Break deadlines you must have purchased an eligible asset prior to 31st December 2009. For an asset to be eligible for the tax break it must have been acquired for the principal purpose of carrying on a business.

The ATO will accept that a laptop computer will be used for the principal purpose of carrying on a business if, when the taxpayer first acquires and uses the laptop computer, it is reasonable to conclude that they will use it for more than 50% of the time for the purpose of carrying on a business.

Car depreciation limit for 2009/10

The Tax Office has advised that the car depreciation limit for the 2009/10 financial year is \$57,180 (unchanged from the 2008/09 year).

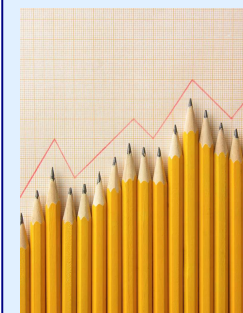


ATO Benchmarking

The Tax Office is developing a range of Business performance benchmarks to complement its Industry Input Benchmarks.

These benchmarks will be targeted at the cash economy, so that businesses can use them together with (soon to be launched) personal living expenses worksheets to see how likely it is that they may expect a visit from the Tax Office.

Using industry data, the ATO will calculate average Cost of Goods Sold, Labour and Rent per \$100 of sales for certain businesses, such as coffee shops and plasterers, and will then use these figures to work backwards to 'guesstimate' a business's anticipated Gross Income.



Editor: This is currently in draft form, but we are keeping an eye on how it may affect our clients.



Introducing Ross Beasley

**Life and Business Risk Insurance Broker
Authorised Representative—Henderson Matusch**

As part of McConachie Stedman's ongoing business growth, Ross Beasley has joined the firm as Life and Business Risk Insurance Broker.

His role is to provide a complete range of insurance solutions for individuals, families and business owners. Personal Insurance covers a wide range of products. These include:

- ▶ Life Insurance
- ▶ Total and Permanent Disability Insurance
- ▶ Trauma Insurance
- ▶ Income Protection Insurance
- ▶ Business Expenses

**Contact Ross Beasley
for more information on
4632 1966 or email
ross@mccon.com.au**

Through the Insurance Solutions division, we offer an **obligation free service** to review your existing life insurances. One of the most common situations is Life & Total & Permanent Disability (TPD) insurances are self or jointly owned and as such are not tax deductible. Through restructuring these insurances—either through the Self Managed Super Fund or as stand alone Super—the premiums may be able to be claimed as a tax deduction. We are also able to review your existing insurance policies to better meet your needs and budget. Give Ross a call & put him to the test.

Income Test Reform

In May 2008, the Labor Government proposed changes to the definition of 'income' used to assess an individual's entitlement to a number of Government support programs. These measures are designed to enhance fairness in the application of income tests, and to better ensure that government assistance is targeted to those most in need.

These proposals have now been legislated and effective from 1 July 2009.

Personal Superannuation Contributions & 10% Rule

To be eligible to claim a tax deduction for personal contributions, an individual must satisfy a 'maximum earnings as an employee' condition. The 10% rule was modified effective 1 July 2009 as part of the Governments income test reforms and now requires your earnings as an employee to be less than 10% of your combined individual's reportable employer superannuation contributions (RESC), assessable income and reportable fringe benefits.

What are Reportable Employer Superannuation Contributions

Reportable employer super contributions are salary sacrificed super contributions or other contributions your employer makes to a super fund on your behalf that are additional to the minimum contributions under an industrial agreement or law. For the financial year ended 30 June 2010, new PAYG summaries will be issued and include a label to show reportable employer super contributions.

What are some of the affects of these changes

- Prior to 1 July 2009, it was possible for an individual to reduce their employment income to satisfy the 10% rule by salary sacrificing. In most cases, this strategy is no longer effective post 1 July 2009.

- From 1 July 2009 the income for the purposes of calculating the Government co-contribution has changed to include reportable employer super contributions. The calculation is now assessable income + reportable fringe benefits + reportable employer super contributions — any business deductions. This will reduce the number of people now eligible to receive the co-contribution.

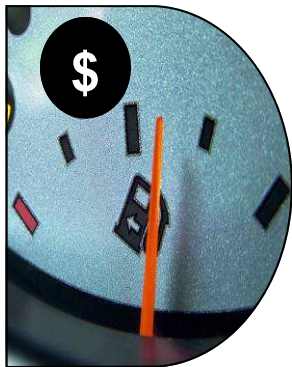
- From 1 July 2009 reportable employer super contributions, personal deductible superannuation contributions and net investment losses will be added-back for the purposes of calculating an individuals entitlement to the following support payments, tax offsets and surcharges:

- Child care benefit
- Child support
- Family tax benefit
- Baby bonus
- Youth allowance
- Senior Australians tax offset
- Mature age worker tax offset
- Dependency tax offsets
- Higher education loan program
- Medicare levy surcharge

The concept of 'separate net income' has been removed.



**Contact Scott Maroske or
Allan Rother for more
information on
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scottm@mccon.com.au
or allan@mccon.com.au**



Wealth Creation—is your wealth creation vehicle running on a full tank?

McConachie Stedman Financial Planning's wealth creation services offer a range of strategies to ensure your road to financial freedom is laid down with absolute clarity.

We work closely with you to establish a wealth accumulation strategy that provides direction and focus... and is sustainable for the long term. And because we understand that we're all unique, we have developed strategic financial modeling processes that enable us to determine a strategy perfectly suited to your individual financial position and desired outcomes.

Our wealth creation services encompass three key areas that will ensure every opportunity to achieve your wealth creation goals is maximised:

INVESTMENTS

1

Our team will work with you to implement sensible investment strategies that are structured to produce strong returns over the long term, not chasing last year's best performer. Sensible investing is all about time in the market, not timing the market. We will structure investment options that offer a proven track record, product tax-effective income, can easily be converted to cash and have potential for capital growth.

TAX

2

By considering a variety of legal and logical tax saving options, our team can implement prudent tax-effective strategies to increase your net income, thereby allowing you to create additional income producing and capital growth investments.

To achieve true financial success and ultimately, financial independence, your strategy needs to incorporate a realistic and manageable financial plan that integrates the three key areas outlined above.

DEBT

3

Maintaining effective control over your debts and household cash flow is a critical factor in determining the success of your wealth creation strategy. We will help structure your loans to minimise the total amount of interest you pay, and maximise the principal you repay, to enable you to repay your personal loans and debts as quickly as possible. We will also help you manage your cash flow and implement spending plans to allow you to better understand and control your cash flow.

We will show you how making a change in one area can impact on another. In doing so, we can help generate positive momentum to speed you along the wealth creation highway. Call 4632 1966 to make an appointment with one of our Financial Planners.

Self Managed Super Funds—Are they a better option for you?

McConachie Stedman's 'Super Retirement Solutions' division will be hosting a seminar designed for people who wish to take control of their superannuation and retirement planning. The seminar will cover :

- What is a Self Managed Super Fund
- The importance of superannuation
- Benefits of a SMSF
- Establishment, rules and costs of a SMSF
- Using a SMSF to support your estate planning wishes

To be held on **Tuesday 6th October**
from **5:30pm to 7:00pm** at McConachie Stedman,
619 Ruthven Street, Toowoomba.
RSVP: By 2nd October, 4632 1966 or email:
tracey@mccon.com.au

Bookings are essential. RSVP now, to book your seat.

Ian Yeo—Partner of McConachie Stedman, 27 years

The current Partners and staff of McConachie Stedman would like to officially congratulate Ian Yeo on his recent retirement and thank him for his 27 year commitment to clients, business associates and staff of the firm.

McConachie Stedman has grown considerably since Ian began at the Duggan Street office in 1982 with a staff of 20.

Ian was an integral part of introducing new divisions to the firm and the firm now caters to a wide variety of services such as Financial Planning, Insurance, Finance Broking, Audit and Superannuation specialists. He was also the driving force behind relocating to Ruthven Street and since this move the business has grown with 70 staff at present.

We wish Ian a happy and trouble free retirement and thank Helen for her patience over the 27 years whilst Ian attended to day to day business.

