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BAN TACS **Accountants Pty Ltd**

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BAN TACS Accountants Pty Ltd

BAN TACS Accountants are a co-operative of accountants who pool their resources and knowledge to provide exceptional client service. All the advantages of a large national firm with the personal services of individual practitioners.

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Welcome to the BAN TACS News Flash. Our aim is to provide short but succinct updates on all tax issues

Death Carried Forward Capital Losses

Any capital losses you have accrued in your life time die with you. Not even your estate can use them. So it is worth considering triggering a capital gain before your death to use them up. Even if you put the proceeds back into another investment at least the cost base for your heirs will now be closer to the market value at the date of your death.

Warning, do not sell pre CGT assets to achieve this. Firstly, they will not trigger a capital gain against which you can offset your losses and secondly pre CGT assets are always best to keep as long as possible because there will be no CGT liability on any gain in your life time.

Disclaimer: Please note in many cases the legislation referred to above has only just passed through parliament. The full effect is not clear yet but it is already necessary to make you aware of the ramifications despite the limited commentary available. On the other side of the coin by the time you read this information it may be out of date. The information is presented in summary form and intended only to draw your attention to issues you should further discuss with your accountant. Please do not act on this information without further consultation. We disclaim any responsibility for actions taken on the above without further advice as to your particular circumstances.

Column by Noel Whittaker

Superannuation is the perfect savings and tax minimisation vehicle. Nothing else offers you the ability to invest with pre-tax dollars, enjoy tax on the earnings of 15% and then make tax free withdrawals once you reach 60. It's about the only tax break a PAYG employee can get these days, and is ideal for anybody in business as it's one of the few assets that cannot be touched if you go broke.

Sadly there are still a large number of Australians who fail to understand that superannuation is not an asset like property or shares, but merely a structure that owns those assets. As a result, when share markets fall, superannuation always get the blame.

The result of this misunderstanding is a general distrust of super which is not helped by some of the ridiculous statements that get air time. The latest is a claim that within fifteen years superannuation funds may be forced to freeze assets and ban withdrawals, because the retired baby boomers will be taking out more than the rest of the workforce are contributing.

This is clearly impossible – the superannuation industry can only run out of money when there is no cash, property or shares left in the world. Remember, it is merely a vehicle that owns them.

The big problem is that too many would-be investors focus on the illogical scary snippets that make the headlines, and consequently never get to focus on the real problems.

Think about this. Even though the superannuation industry can never run out of money because it is merely a receptacle for assets- governments are a different animal entirely.

Unable to create wealth of their own, they are merely conduits that raise taxes and redistribute them. Within twenty years the eldest baby boomers will be in their mid-80s which is usually when most of them will be thinking about entering aged care. The big worry for them is that there will be insufficient places, and carers available at the same time as aged pensions will be under pressure. That is the real crisis facing this country.

Noel Whittaker is a director of Whittaker Macnaught, a division of St Andrew's Australia. This advice is general in nature and readers should seek their own expert advice before making financial decisions. Noel's e-mail address is noelwhit@gmail.com

David Thompson & Julie Lockeridge from Whittaker Macnaught are regularly available to see clients in our office

Claiming Deductions Against Trust Income

The ATO is clamping down on beneficiaries of discretionary trust claiming a tax deduction in their own tax return for expenses that relate to the trust's income.

Certainly you cannot claim, against trust distributions, interest on money you have borrowed in your own name and put into the discretionary trust, because you do not have a fixed entitlement to a distribution in a discretionary trust. You need to charge the trust interest at the same rate or more than what you are paying and then claim the interest you are paying the bank as a deduction against the interest income you receive from the trust.

Other expenses a beneficiary may incur such as paying some of the trusts bills can only be deductible to the trust so you need to have the trust reimburse you rather than claim the expense against your distribution. The bottom line is the same affect because the trust then has less profit to distribute to you. It is also probably a better result overall because the trust will be able to claim the GST back.

There is an exception when it comes to typical work related expenses but it is best that you also receive a wage from the trust. Then of course these expenses are deductible just as they would be for other employees. Nevertheless, it is still better to have the trust reimburse you so that the GST input credits can be claimed, if it is registered.

If you use your own car to produce income for the trust and you are paid a wage by the trust there are no problems to claim the car as would any employee. There is also a nice little double dip that may interest you. Keep a log book on the vehicle and work out the trust's share of your actual expenses then ask the trust to reimburse you for these expenses so that the GST can be claimed. This will not stop you being able to still use the kilometre method to claim your motor vehicle expenses in your own tax return. You cannot claim a deduction in your tax return for expenses that the trust has reimbursed you for, but that does not stop you claiming the rate set by the ATO per kilometre for business use up to 5,000 kilometres per car.

In short it is important that your trust pays you a wage to keep your options open but it is always better to get the trust to reimburse you for the expense (assuming profitable) rather than you claim it in your own tax return even if you do qualify.

Little Cost, Big Yield

By RUN Property CEO Rob Farmer

Property owners can substantially increase the cashflow from their investments – and accelerate the growth of their property portfolio – by doing minor and often inexpensive improvements.

It is amazing how many landlords overlook the presentation and renovation of their investment properties when a few carefully spent dollars can make the world of difference to the appearance of the property and therefore competition to rent it.

Even when vacancy rates are at record low levels in Victoria, New South Wales and Queensland, tenants show a distinct lack of interest in properties that are tired, shabby or lacking in presentation.

The more people who love your property, the more will want to rent it, and increased demand leads to higher rents, fewer vacancies and the opportunity to choose a higher quality tenant.

There is a direct correlation between the presentation of rental properties and the calibre of people applying to lease them. A well-presented rental property attracts better applicants who are more willing to pay a higher rent to secure accommodation that suits their lifestyle.

Experience also shows that tenants are far more diligent in caring for a property that is attractively presented.

The manager of RUN's property management office in the inner Melbourne suburb of Richmond, Betty Giacometti, said a client fully renovated the kitchen and bathroom, painted the interior throughout and replaced the carpet and blinds in her one-bedroom apartment for a total cost of \$10,000.

"The owner sourced her own contractors, did the painting and bought all the materials herself to save money, but the effort was worthwhile because the rent increased from \$205 to \$280 a week, which after tax deductions substantially improved her cashflow," Ms Giacometti said.

Under \$10,000 - 5 things tenants want

1. Get the basics right

Carpets should be professionally steam-cleaned, drapes dry-cleaned, and scuffed or grubby paintwork should be touched up and appliances checked to ensure they are operating efficiently between tenancies. These items should be regarded as maintenance, not improvements.

2. Kitchens

Illusion is an integral part of the renovation process if you don't want to spend a fortune. By creating visual effects that attract the eye of a potential tenant, attention is diverted from less desirable aspects of a property. For example, replacing a white upright stove with a stainless steel appliance may lead to the impression that the whole kitchen is stainless steel.

Painting kitchen cupboard doors, replacing kitchen door knobs and installing a new flick mixer can leave your prospective tenant feeling like they have a new and expensive kitchen.

3. Bathrooms

Replacing taps, shower heads and other fittings with modern equipment can give wet areas an improved look. New door and cupboard knobs, new mirrors and replacing a shower curtain with a shower screen can make a massive difference.

A tired bathroom can be brought to life by resurfacing the bath, basin and shower base and painting old-fashioned or garish tiles.

4. Living areas and bedrooms

My pet hate is cheap fluorescent lighting that is the living reality of too many rental properties. The ambience of a property can be significantly improved by replacing the fluoro ceiling light with low-voltage fittings that plug into existing sockets without needing an electrician. Modern pendants for bedrooms are a big plus.

Light switches and door knobs can show the age of a property. Changing light switches and installing dimmer switches can create the illusion of a newly refurbished property.

Homewares and furnishing stores stock an extensive range of off-the-shelf blinds that provide privacy and also improve the appearance of lounge room and bedroom windows immeasurably.

First impressions are lasting impressions so it is also worthwhile considering installing a floating floor or artificial timber flooring to the entrance hall and high-traffic areas.

The manager of RUN's property management office in the inner Melbourne suburb of Carlton, Stephen Ericksen, said reverse-cycle air conditioning attracts tenants and immediately results in a rent increase of at least a \$20 per week.

5. Laundry

An internal laundry is high on the agenda for tenants and it usually dictates whether they will apply for a property. It is often feasible to build a front-loading washing machine, clothes dryer and trough into a large cupboard for a relatively modest budget in an apartment in a block which has communal washing facilities. It requires a plumber but the outlay can be well worth the cost in terms of increased attractiveness to tenants and rental return.

Rob Farmer is the CEO of RUN Property, Australia's largest metropolitan property agency, which manages properties valued at more than \$10 billion throughout Australia. For more information visit www.run.com.au

Where is Julia?

Back on the east side of the best and safest country in the world, which is also amazingly large! I actually got home sick and quite emotional about the images from Japan. I will be in and around Sydney and Orange for the rest of March then back home near our Bribie Island office for April via our Tenterfield office in early April.

Simple Solutions

Experience has taught us that more is not better. We have created some very simple excel spreadsheets that will show you, right before your eyes, what we have been trying to explain to clients for years. We have realised that you don't need an elaborate program that makes coffee as well. What you need is simple spreadsheets that not only helps you calculate the basics but gives you confidence that you have covered all the relevant issues without needing to produce a complex result you do not understand.

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All for a very cheap price because we almost feel embarrassed to charge for such basic programs but have now realised that it is more economical for you, if we create the template rather than you reinventing the wheel. Keep on buying these little spread sheets and we will keep them coming. Simply explaining basic business and investment concepts but helping you ensure that you have covered all the relevant items.

For the list so far take a look at the right hand column of our shopping page. Note these are not intended to eliminate the need to discuss with your accountant the answers, they are designed to prepare you for that interview to such an extent that they will save you more than their purchase price in accounting fees.

Ask BAN TACS

For \$59.95 you can have your questions regarding Capital Gains Tax, Rental Properties and Work Related Expenses answered. For your Accountant, we will include ATO references to support our conclusion. Just go to www.bantacs.com.au and look for the Ask Bantacs link under 'Most Popular' on the home page.

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