

NEWSFLASH

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

Truck Drivers Claiming Travel Costs

In Newsflash 251 we discussed the finer points of qualifying to claim a reasonable travel allowance. In this article we look at what Truck Drivers need their employer to do and when.

If you sleep away from home because of your job then you are entitled to claim your meal and accommodation expenses but you will need receipts. In TD 2012/17 the ATO will allow you to claim for your meals without receipts for each night that your employer pays you a travel allowance, providing you do not claim more than \$89.60 per day if your salary is less than \$104,870 and \$97.75 per day for salaries above that. Of course you can't claim more than you actually spend and you still have the onus of proving to an ATO auditor that you did actually spend that amount, as discussed in Newsflash 251.

The travel allowance you receive must be bona fide, for example a reasonable amount at least more than \$5 per day. It is not enough that your salary package includes an allowance for the costs you might incur while travelling. It must actually be a separate allowance for overnight travel.

If your employer believes that the amount is fully expended they do not have to include it on your PAYG summary. Though the onus is still on you to include the amount in your tax return if it is not fully expended. You can claim more than the allowance you actually received if you have receipts or you are not claiming more than the \$89.60 or \$97.75 per day but if your PAYG summary does not show the amount of the allowance you have received you are going to need to have kept records of what you received, include that as income and then claim a deduction for your actual expenditure.

The best possible arrangement your employer could offer is to pay you a daily allowance up to the \$89.60 or \$97.75, all of which you of course spend on food so your employer does not put it on your PAYG summary at all and you don't have to argue with an auditor because nothing would go through your tax return yet you would be receiving the maximum amount you can tax free without receipts.

Note this amount is only for food, if you claim accommodation you need to keep receipts, whether you receive an allowance or not.

If you are an owner driver the substantiation concessions do not apply so you need to keep a receipt for everything.

Flood Levy

From the Gold Coast to Wujal Wujal, Queensland has been well covered by natural disasters over the last two years. This means there are a great many Queenslanders who will not have to pay the flood levy but it appears many are not aware of it. And of course there are areas in other states that qualify.

Many mistakenly believe that they have to have received assistance from Centrelink to be exempt from the flood levy. Of course those that did receive assistance and those who lost an immediate family member do not have to pay the flood levy but if you lived in one of the listed natural disaster areas you will also qualify if, as a direct result of the disaster, any of the following applied to you or a child to whom you were the principle carer:

- Your principle residence was without Electricity, water, gas or sewerage for at least 48 hours
- Suffered an injury requiring hospital admission or would have if not for the disaster
- Unable to go home or stranded at home for at least 24 hours
- Your home sustained major damage

To find out if you area is listed go to

<http://www.ato.gov.au/individuals/content.aspx?menuid=0&doc=/content/00216565.htm&page=4&H4>
Mackay, The Sunshine Coast, Brisbane, Bundaberg, Toowoomba, Rockhampton, Gladstone, Townsville and Cairns are all on the list so it is worth looking into. For the fine print go to
<http://www.ato.gov.au/individuals/content.aspx?menuid=0&doc=/content/00216565.htm&page=3>

Column by Noel Whittaker

Pensioners prize the part pension, even though it is small, because in most cases it gives them access to a range of discounts as well as the pensioner concession card.

One way to reduce assets to make yourself eligible for a part pension is to arrange for payment of your funeral while you are still alive. You can do this by pre-purchasing a burial plot and also by pre-paying funeral expenses or by investing in funeral bonds.

The amount of money spent on the burial plot is exempt from the assets test and the income test regardless of the value of the plot - Centrelink will not take into account any money you pay to a funeral director provided you have a contract that sets out the services to be undertaken

Funeral bonds are a more flexible alternative because they give the investor the option of appointing a specific funeral director to receive the proceeds or leaving the bond open so the proceeds can be paid directly to the family.

We recommend the latter option because there can be problems if the bond is assigned to a funeral director and the funeral costs less than the value of the bond. If the family are the beneficiaries, any surplus funds can be used for any purpose they see fit.

For example, a couple with \$1,034,000 of assets as well as the family home, would be ineligible for the age pension because they have too many assessable assets. However, if they gifted \$10,000 to their children or a charity and invested \$11,500 each in funeral bonds, their assessable assets would drop by \$33,000 and they would qualify for an age pension of around \$1200 a year plus most of the fringe benefits. The benefits alone are thought to be worth at least \$1500 a year.

Noel Whittaker is the author of Making Money Made Simple and numerous other books on personal finance. His advice is general in nature and readers should seek their own professional advice before making any financial decisions. Email: noelwhit@gmail.com<<mailto:noelwhit@gmail.com>>.

Mortgage Stress?

People going through serious financial difficulties tend not to let on so the following are just some words of experience that are not often shared.

It is amazing how people who hang on rather than give up and surrender to the bank, do eventually make it through. Keep up the good fight, look for opportunities and the chance to overcome your difficulties will materialise.

Banks are not so keen to repossess houses now that they are required to sell them at market value. It appears their latest ploy is to use various tactics to persuade the householder to sell at below market value themselves so they can get the bank off their back. Just make sure you are fully aware of the extra fees and charges they can make when you are in default and then consider holding your ground.

Reverse Mortgage Verses Downsizing

Reverse mortgages in my opinion get a bad rap. Firstly parents feel that they haven't scrapped and saved all their life to let the bank get their hands on everything when they die. And I suspect children are a bit concerned about their inheritance. But what if I could show you with a few clever numbers that a reverse mortgage is a win win situation?

Coming from the point of view that elderly home owners should not have to go without just to protect their children's inheritance but the comfort of their own home is important to them. Let's take the example of a recently widowed pensioner who of course is having trouble getting by on the single pension. She possibly has another 20 years to live. Her car will need replacing soon and she still owes \$67,000 on her house. In total she needs around \$80,000 to pay off the house and buy a new car. On the single age pension servicing such a loan will be impossible and I don't think any deserving heirs would expect her to do so. Nevertheless, because of the fore mentioned prejudices against reverse mortgages she is considering selling her home and downsizing to a smaller cheaper version.

If she was to sell her home she would be up for around \$40,000 in Real Estate Agent's fees, stamp duty, legal fees and moving costs. Her current home is worth \$420,000 so she would only have \$300,000 left to buy her next home and adapt it to her needs.

If instead she increased her mortgage to \$80,000 and reversed it she would not have to worry about any repayments, the bank would simple take its money from the proceeds of the sale of the house when she died. The bank cannot take the house from her no matter how long she lives regardless of what happens to the housing market so she is safe in her family home but now a lot more comfortable because she is no longer making the mortgage repayments and has a more reliable car.

It is not just the costs of relocating that have to be considered. For the next 20 years the estate will only benefit from the capital growth on a \$300,000 house compared with a \$420,000 house. Here are the numbers from a spread sheet I prepared earlier:

Interest Rate on Loan %	Owing in 20 years	Capital Growth Rate %	Additional Capital Growth in 20 years
5.5	\$239,730	2	\$178,313
6	\$264,816	3	\$216,733
6.5	\$292,515	4	\$262,934
7	\$323,099	5	\$318,395
7.5	\$356,865	6	\$384,856
8	\$394,144	7	\$464,362

So, in these particular circumstances, if the average interest rate, over the next 20 years, is less than 1.5% more than the expected capital growth then she is better off to stay in her current home. In fact she could be increasing the kids inheritance by around \$30,000 by staying put. Plus of course the \$40,000 that will not need to be spent on relocating. Take the \$40,000 into account and interest rates could average as high a 7.5% yet as long as capital growth averages at least 5% then the inheritance is still a fraction better off and she gets to keep her home.

Obviously there are many variables on this and some serious what if analysis should be done before making any decisions. To facilitate this we will be putting an xl spread sheet in the shopping section of the web site shortly.

So Mum has not had to pay off the \$67,000 out of her meagre pension and has a safe new reliable car, while continuing to live near her friends in the family home. Seem too good to be true? It works because the amount owing on the house is very small compared with the overall value of the property. Taking the buying, selling and moving costs into account she is paying interest an \$80,000 loan to hold an extra \$120,000 in assets that will increase in value.

Personally, I would suggest she reverse mortgage for an even higher amount and enjoy life while she is still fit, maybe go on a cruise. But only draw out what she intends to spend otherwise Centrelink may be tempted to deem it.

As a general rule of thumb if you are 60 years old the bank will only lend you 20% of the valuation of you home. At 70 they will lend you 30% and at 80 40%. As you increase in age and your home appreciates you maybe able to take an advance on this increasing equity.

Think very carefully before you fix the interest rate on a reverse mortgage. It may sound like a way of protecting the inheritance but it is at your peril because, should you need to sell the house to move into a care facility, you will not just have to pay out what you owe to the bank but you may also have to compensate them for the lost interest over the rest of the years the life expectancy tables expect you to live.

Booklets Updated

The newsflashes up to 251 have been transferred across into the booklets which are available at <http://www.bantacs.com.au/booklets.php> Please remember that these booklets are simply a collection of newsflash articles accumulated over the years and sorted according to topic. Accordingly there will be out of date article in these booklets so they are best read from the bottom backwards because that is where you will find the latest articles. Their primary objective is to give readers an easy way of looking up an article they have read in Newsflash.

Seminar

Claim Your Trip Around Australia As A Tax Deduction – Kym Leech from No Boundaries will cover Tricks, Tips and Networking on the Road, Julia Hartman will explain what is required to claim your travel as a tax deduction. 10am Saturday 11th August, 2012 Mackay City Bowls Club, corner of Shaw and Shakespeare Streets, Mackay. RSVP (07) 4957 5244. Free, go to <http://www.bantacs.com.au/seminars.php> for more information. Please stay afterwards for lunch the bowls club have meals available for \$10.

Owl

What do you think of our Owl mascot? The owl represents wisdom, the gold is for money matters and the bird represents femineity – nurturing. We think this sums up what BAN TACS is about. Some firms might think that tax is too confusing to explain it to you. They may even try to make it more confusing by making up words combining financial terms. We believe that Albert Einstein hit the nail on the head when he said “If you can’t explain it simply you don’t understand it well enough”!

Where is Julia?

In Mackay and yes the weather is good! I should arrive back in SEQ in October.

Ask BAN TACS

For \$59.95 at [Ask BAN TACS](#) you can have your questions regarding Capital Gains Tax, Rental Properties and Work Related Expenses answered by Julia. We will include ATO references to support our conclusion.

What Is New on www.bantacs.com.au

Want more? Please go to www.bantacs.com.au/publications.php for back issues of newsflash or download our free booklets where past newsflash articles are collated according to their topic.

With the forum and askbantacs notice board the information on the site changes daily but here is a list of significant changes in the past couple of weeks:

Seminars – Mackay Travelling Workers Seminar www.bantacs.com.au/seminars.php

Owl – Top left hand corner

Forum - Please help Carolyn Parker if you can. Her question is in the small business management section, she needs advice on the liability of board members for not for profit incorporated associations in WA.

Notice Board – One askbantacser has kindly agreed to have their question made public on the notice board. It covers the tax advantages of negative gearing and how a rental property loss affects the dependant spouse tax offset. www.bantacs.com.au/QandA/index.php?xq=399

Booklets Updated - www.bantacs.com.au/booklets.php

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.