VALSAMIS & ASSOCIATES
Accountants & Tax Agents

TAXtalk

ISSUE 1 AUTUMN 2006

Welcome to our first edition of TAXtalk.

TAXtalk is a quarterly newsletter designed to address the needs of all taxpayers and most importantly to keep them ahead of the tax game.

If there are topics you would like to see featured in future TAXtalk issues, please send an email to info@valsamisandassociates.com.au

Splitting of Superannuation Contributions

Changes in superannuation law came into effect from 1 January 2006 potentially now enabling members of superannuation funds to elect to 'split' their contributions with their spouse.

New rules have been implemented that will give members of superannuation funds a greater say in how to make and allocate their superannuation contributions.

The intent of these new rules from the Government's perspective is that the splitting of contributions will assist families to maximize the benefits available in superannuation and provide an avenue for spouses to share in superannuation benefits.

How do splitting superannuation contributions work?

These new rules will potentially allow you to split up to 100% of your personal (after-tax) contribution and up to 85% of your employer (pre-tax) contribution.

The employer contributions include the compulsory superannuation guarantee contributions as well as salary sacrifice contributions.

What are the conditions?

There are a few points you need to be aware of:

- The ability to split your contributions is at the discretion of the trustees of your superannuation fund.
- The splitting of the contribution is effected by an election made after the end of the financial year for contributions made in the previous financial year.
- It is effective for all contributions made after 1 January 2006.
- If you are self-employed you will need to complete the appropriate form to claim a tax deduction before electing to split a contribution.
- If the receiving spouse has reached their preservation age, evidence that they have not permanently retired will be required.
- You cannot split an amount that represents a rollover, a transfer or certain eligible termination payments.
- Contributions cannot be split in favour of a receiving spouse if they have reached age 65.

Example:

Alan is aged 57 and has a DIY super fund. The contributions to his fund for the year ended 30 June 2006 are $3,250 of personal contributions and $6,750 of superannuation guarantee contributions (all received after 1 January 2006). After the end of the financial year John makes a written election to the fund to split 50% of both the personal and superannuation guarantee contribution to his wife Julie who is aged 56.

For this election to be valid, Julie must still be employed. The contributions then split to Julie will become fully preserved and she will have the option of leaving them in the current fund or transferring them to another complying superannuation fund.

Have You Booked Your Accounts Health Check?

Conducting "Accounts Health" Checks of accounts is something we do on an annual basis (if not more frequently), for many clients. Have you booked yours?

What is an "Accounts Health" Check?

It is a process that reviews the accuracy of your accounts to date, which enables tax planning to be done on your true profit result as well as putting a stop to any procedural bookkeeping errors that are occurring.

Why not just wait until my year-end accounts are prepared?

Experience has shown that it is better to identify any issues in your accounts and take action now, while you still have time to make any necessary adjustments.

Furthermore, conducting an Accounts Health Check acts to stop errors in your bookkeeping sooner, before they carry over and affect the next financial year.

It is also a good time for you to ask any accounting questions that have been puzzling you whilst working on your accounts.

So what are you waiting for? Call us today and book your Accounts Health Check.

F.A.Q: Fringe Benefits Tax (FBT)

Q: What is a fringe benefit?

A: In broad terms, a fringe benefit is a 'payment' to an employee, but in a different form to salary and wages.

Q: Who pays the tax?

A: The employer pays the FBT irrespective of whether they are a sole trader, partnership, trustee, corporation, unincorporated association, government or government authority.

Q: Is an FBT year the same as a financial year?

A: No, the FBT year runs from 1 April to 31 March.

Q: What sorts of benefits attract FBT?

A: The main ones are, vehicles used privately by employees, employee entertainment including meals, theatre tickets and sporting events, employee telephone accounts paid by the employer, household expenses paid by the employer including rent, education and health funds.

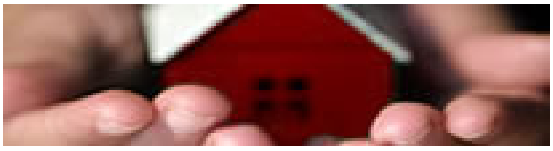
Q: What can I do to get ready for FBT?

A: You will need to make a note of all non-commercial vehicle odometer readings on 31 March. You will also need to make sure vehicle log books are up to date – completed, signed, and no older than 5 years.

If you are unsure about any aspect in relation to FBT, please give our office a call.

What Do Recent Land Tax Changes Mean For You?

In February 2006, Premier Morris Iemma announced that for the 2006 Land Tax year, no tax is payable on land values up to $352,000. This represents an increase in the tax free threshold of $22,000 on the prior year.



How is Land tax calculated?

Land tax is calculated on the combined value of all the taxable land you own in NSW as at midnight on 31 December of the previous year. The land tax threshold for 2006 is $352,000. This means your land tax assessment is calculated on the combined value of all the taxable land you own above this threshold.

The amount of tax is $100 plus 1.7 per cent of the land value in excess of the threshold.

Where land is owned in partnership one threshold applies regardless of the number of owners.

If the combined value of your land is equal to or under the threshold no land tax is payable.

General example:

Total taxable value of land	Rate of land tax payable	Example	Land tax payable
$425,000	1.7 cents for each $1	Total value of land = $425,000 Threshold $352,000 Value of land above the land tax threshold $73,000 Rate of land tax payable x 1.7% plus $100	**$1,341** ($1,241 + $100)

Non-concessional companies and special trusts example:

Total taxable value of land	Rate of land tax payable	Example	Land tax payable
All non-exempt land	1.7 cents for each $1	Total value of land = $150,000 Land tax rate 1.7 cents per $1 $150,000 x 1.7%	**$2,550**

Dates to Remember

MARCH

21st	Monthly BAS and IAS payments for February 2006 due

APRIL

21st	Monthly BAS and IAS payments for March 2006 due
	PAYG withholdings from payments made in March 2006 by medium payers due
	PAYG withholdings from payments made during March 2006 quarter by small payers due
	Payment of 1st instalment due for 2005-2006 for PAYG quarterly payers eligible to make 2 instalments annually rather than 4
28th	Payment of 3rd instalment for 2005-2006 income year for deferred BAS payers due
	PAYG withholdings from payments made in March 2006 by medium payers who are deferred BAS payers due
	PAYG withholdings from payments made during March 2006 quarter by small payers who are deferred BAS payers due

MAY

9th	Federal Budget
21st	Monthly BAS and IAS payments for April 2006 due
	Due date for lodgment of 2005-2006 FBT returns and for payment of assessed tax

JUNE

21st	Monthly BAS and IAS payments for May 2006 due

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