

Newsletter

The greatest compliment we receive from our clients is the referral of their friends, family and small business colleagues. Thank you for your trust.

Miranda Professional Services Newsletter

December '09

ATO trials Credit Card payments

The tax office is trialing payment by credit card for all tax liabilities between \$10 and \$10,000.

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Last chance for bonus tax break

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Negative Gearing - flavour of the month?

Buying and negatively gearing an investment property is a well established practice in this country with approximately 30% of residential properties now owned by investors. Many of our clients have successfully grown their wealth using this long term, tax effective strategy but we have also seen some financial disasters.

If you have been reading the press lately you would have seen some bold predictions about future property values on the back of relatively low interest rates, a shortage of affordable housing and rental increases. Despite the threat of higher borrowing costs, groups like QBE LMI predict property prices in Melbourne will grow by 19% over the next three years.

Property research company, BIS Shrapnel, tell us that house prices have risen by an average of 9.4% a year since 1966 when a house could be bought for just \$9,350! The median Melbourne house price is now more than \$480,000 and BIS Shrapnel forecast this will rise to a staggering \$1,056,199 in 2021. Given these facts could it be time to buy an investment property and what are the tax implications?

Clearly, buying an investment property is a significant financial commitment that should be thoroughly researched, carefully planned and most importantly, it must be financially sound. As your accountants, we see our role as helping you understand the tax and cash flow implications of this popular strategy. If you are thinking of buying an investment property we urge you to consult with our office before you commit to the purchase.

Season's Greetings

- We would like to take this opportunity to wish you and your family a wonderful Christmas.
- Our accounting office will close for a short break from Wednesday the 23rd December at 4.00pm until Monday the 4th January.
- Our Conveyancing office will remain open during this time (except public holidays).
- Thank you again for your support during this year, and we look forward to working with you in the new year.
- Vanessa and the team



Last chance for Bonus Tax Break

The Small Business Tax Break offers businesses (with a turnover of less than \$2m) the opportunity to claim a bonus 50% tax deduction on the purchase of eligible assets bought by 31 December 2009.

The business tax break is a 'one off' extra tax deduction available on new, tangible, depreciating assets plus improvements or additions you make to existing assets. It includes motor vehicles (conditions apply), plant & equipment plus computers but excludes software, land and trading stock.

To qualify for the 50% tax break, you must:

- be a small business with an annual turnover of less than \$2 million
- buy an eligible asset between 13 December 2008 and 31 December 2009
- the asset must meet the \$1,000 minimum threshold (exclusive of GST)
- use, install or improve the asset by 31 December 2010
- use the asset principally in Australia and principally for business, and
- be eligible for a depreciation deduction under section 40-25 of the ITAA (1997)

Please consult with us regarding your eligibility for the tax break. If you are planning to finance the asset purchase please talk to us regarding the finance options before you commit to the purchase. In addition, you need to act quickly because we understand the financiers will close their books in the third week of December due to the likely flood of finance applications due to the tax break and the Christmas period.

ATO trials payments by Credit Card

The tax office is trialing payment by credit card for all tax liabilities between \$10 and \$10,000. You will be able to do so using the Government EasyPay website, or their telephone service.

A card payment fee applies to transactions made using this service. The fees are 0.65% for Visa / Mastercard and 1.25% for American express. You will be informed of the fee amount and transaction totals before you are asked to confirm payment.

Business benchmarking and ATO audits

Small business benchmarks provide a snapshot of what, on average, is happening in businesses

operating in a particular industry by providing a measure of various business costs in relation to turnover. As such, they are a useful tool to help you assess your business' performance. The tax office also use benchmarks to identify businesses that may be avoiding their tax obligations.

Economic and competitive pressure means that some small businesses seek an advantage by not recording and paying tax on all of their transactions, especially cash transactions. The tax office are committed to supporting honest businesses and helping them remain competitive by identifying and taking firm action against those businesses that seek this unfair advantage.

By developing benchmarks for small businesses the tax office are making it clear about what they expect from businesses in an industry. This makes it harder for dishonest operators to get away with not reporting cash income.

Businesses reporting outside the benchmarks may attract their attention. There may be good reasons for this disparity, but taxpayers who find they are outside the benchmarks for their industry should determine whether they have correctly recorded and reported their income and deductions.

These benchmarking tools are either available from our office or from the ato website. You should contact our office should you wish to review your business performance or ensure that you do not come under investigation from the tax office.

Conveyancing

We have had calls recently from clients who did not know that our office also offers Conveyancing services. We have over 6 experienced conveyancers able to assist you with all your purchase, sale and transfer of land transactions. Please make sure that if you are purchasing or selling a house, that you contact our office for discounted Conveyancing costs.

Business Activity Statement reminder

Your statements are due to be lodged before the 28th February. No extensions are allowed for this BAS period as the tax office will not allow extra time over these holidays. So please ensure that your work is in to us no later than 31st January so that we can complete your statement and send it to you for signing.