

GRAYPE VINE NEWSLETTER

June 2005

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A Confident South Australia is
in Control*
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Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

A confident South Australia is in control

Knowledge, Confidence, Control.



These are 3 key words that undoubtedly contribute to success in business and family.

Confidence is the X Factor.

It is driven up and down by a never ending supply of reports on the health of real estate, the share market, the local economy, the farming community and the global community.

The level of business and consumer confidence can be better controlled through a flow of knowledge based on real information.

Real information flows will be improved if you

- Benchmark against your peers
- Have a clear vision about your business
- Seek a balanced view on conditions
- Seek information about your market place
- Communicate with customers, clients, competitors and industry associations
- Take a positive view about change.

In this way we believe business and consumers in South Australia will have real knowledge to be confident and importantly be in control.

DFK International

Our membership of DFK International provides Gray Perry—DFK with considerable insight into the market place and about business conditions.

It is a community of business people from around the world committed to information sharing.

This information is available to clients and will help you remain in control.



Email Address

This newsletter is available in PDF format on our website;
www.dfkadel.com.

Please advise your email address to grayperrydfk@dfkadel.com, if you would like to receive future newsletters via email.



Family Business

Brendon Skates attended the Family Business Australia State Seminar during the year.

It is **the** opportunity for Family Businesses to get together with other people who are experiencing similar issues.

“This year’s program involved delegates attending one of three workshops. I was a participant in workshop A – Growing Your Family Business. Other workshop’s included ‘Improving Relations Between Family and Non-family Members in the Business’ and ‘Succession and Estate Planning’.

Each workshop was given a case study (based on a real life example with names changed to protect the innocent). Our family business was involved in a retail curtain fabric business, which included interior design and installation/hanging services. The business was owned by mum and dad with son and daughter working for the company. All four family members had different working backgrounds and different ideas on how the business should move forward.

Given the background on the company, members of our workshop, which comprised family business owners and business advisers, were charged with the task of determining how we would improve:

- *strategic planning and management*
- *profitability, and*
- *marketing strategies that would give the family the edge.”*

Brendon Skates

Family Business is an area **Gray Perry-DFK** team members have a great deal of experience in, either personally or through years of advising family business clients. We are confident in our ability to work with clients on the vast number of family issues.

Our Family

The team at Gray Perry– DFK continue to find a balance between hard work and lifestyle.

Our receptionist Rita has returned after a well earned 8 weeks in Europe and USA. The world will never be the same again.

Kirsten is off to Vietnam to bike ride from Hanoi to Ho Chi Minh.

Glen took a hike up Mt Kosciusko to continue his mountain trekking theme.

Michael and Jim are off to San Francisco in July for the annual DFK World conference.

Brendon attended his first DFK conference as a Partner in Melbourne and met with DFK members from Hong Kong, Singapore, New Zealand and India.

We also welcomed new team members, Kayla, Kirsten, Dan and Graham who have strengthened an already unique team of people.

Please take the time to get to know our team from our website, **www.dfkadel.com**, it is easy to get around and we are sure you will enjoy it.



Business IT

Information Technology has become the backbone of almost every business, small or large. It controls finance, data base, distribution and stock to name but a few.

Each of these functions can be enhanced by stand alone software designed to extract useful information to assist in business decision making. **Gray Perry—DFK** has invested in a new software product called **‘Profit Cents’**. It is a simple report on the profit, liquidity, debt and activity of your business. The written explanations are easy to understand. It looks at your business as a whole and helps develop new thinking in terms of budgeting and ‘what if’ analysis. Ask your team member for a **‘Profit Cents’** review. We highly recommend it.



Taxation, Superannuation and Computer News

Positive News

Personal Tax Cuts

The 2005/06 Federal Budget includes the most significant personal tax cuts seen for many years.

Most importantly, the top marginal tax rate of 47% has been pushed back substantially. The top rate currently applies to taxable income over \$70,000. It will only apply to income over \$95,000 during 2005/06, and income over \$125,000 during 2006/07 and subsequent years.

In addition, the lowest rate of 17% will be cut to 15% and the 30% band will be widened.

Overall, these measures will save taxpayers up to \$2,162 for the 2006 year and \$4,502 for the 2007 year.

The tax rates for 2004/05, 2005/06 are summarised below.

Current Tax Year	
Income Range	Tax Rate
\$	%
0 – 6,000	0
6,001 – 21,600	17
21,601 – 58,000	30
58,001 – 70,000	42
70,001 +	47

2005/06	
Income Range	Tax Rate
\$	%
0 – 6,000	0
6,001 – 21,600	15
21,601 – 63,000	30
63,001 – 95,000	42
95,001 +	47

Surcharges Abolished

The superannuation surcharge and termination payments surcharge will be completely abolished from 1 July 2005. The surcharges currently apply at a rate of 12.5% once adjusted taxable income exceeds \$99,710.

Splitting of Superannuation Contributions

From 1 July 2006 eligible couples will be able to split their employer and personal superannuation contributions with their spouse. This will provide significant financial and retirement planning opportunities.

More good news...

30 % Child Care Tax Rebate

The new 30% tax rebate on approved registered Child Care costs will be based on 2004/05 costs, however it should be noted that this is not claimed until the following year.

The rebate is based on total fees paid less your Child Care benefit Entitlement with a maximum rebate of \$4,000 per child. It is important that you keep all your receipts for Childcare for the 2004/05 Financial year and future years.



Mature Aged Worker Tax Offset

A new tax offset of up to \$500 is being introduced to taxpayers over 55 years of age and will apply to earned income (as distinct from passive investment income).

The rebate will phase in at 5 per cent from the first dollar of assessable earned income so that the full rebate kicks in at \$10,000 of income and starts to phase out after \$48,000 at the same rate.



MYOB News

MYOB have provided an excellent End of financial Year Guide.

We highly recommend this very practical information booklet.

If you would like a copy please contact our office and we can provide it to you by email.

Fringe Benefits Tax

We wish to remind all clients who are employers about the Fringe Benefits Tax (FBT) legislation. FBT is payable by employers on the grossed up taxable value (or cost) of benefits provided to employees or their associates in respect of their employment. FBT normally applies when the employer provides a non-cash benefit to the employee either as part of a salary package, a bonus, and an incentive or even as part of an award entitlement.

Typical fringe benefits that may be taxed to the employer are motor vehicles, vehicle parking, low or no-interest loans, housing and some living expenses, travel, entertainment, sundry costs such as telephone, health insurance, school fees and other similar costs where the notional taxable value is above \$100. Please note that superannuation contributions are not a fringe benefit.

A taxable benefit may be reduced or even eliminated if the employee either (i) reimburses the employer or (ii) would have otherwise been entitled to a tax deduction in respect of the cost.

Finally, an employer will receive a tax deduction for any FBT paid but will have to pay income tax and GST on reimbursements received from the employee.

Please refer your FBT issues to any of our **Gray Perry-DFK** team.



Super Choice



What it means for employers...

As of 1 July 2005, many Australian employees will have the option of having their Superannuation Guarantee (SG) contributions paid into an alternative complying superannuation fund, other than the fund their employer has selected.

This means employers will need to offer both existing and new employees a choice of where they wish to direct their 9% SG. Many employees may not choose to change superannuation funds. However, those who do may ask employers for information on what to do.

Where employees want to nominate a particular fund for their SG contributions, they will need to complete and return a Standard Choice form to their employer.

Employers will need to provide employees with this form within 28 days:

- For existing employees at 1 July 2005, (ie By 29 July 2005)
- For new employees, from the date of employment after 1 July 2005 (unless the employee has already chosen a fund)
- At anytime upon written request by an employee

Employers will need to begin paying SG contributions into the fund chosen by employees within 2 months of receiving the Standard Choice form, otherwise penalties may apply.

Employers are required to select one "default fund" and be able to pay their employees (who do not wish to complete the Standard Choice form) SG contributions into this fund.

Once an employer has provided the Standard Choice form, until it is returned, the employer may contribute to their business default fund.

Employers are only bound to accept one nomination from each employee during a 12 month period.

Should you have any questions regarding "Choice of Fund" please contact financial adviser Peter Takos on 8211 9677.

Dear Client

Re: Audit Management Service

You currently prepare and/or lodge, with or without our assistance, any number of returns to various State and Commonwealth government agencies. These returns include BAS, FBT, Income Tax, CGT, Superannuation (Company & Private), ASIC, Work Cover, Payroll, Customs, Stamp Duty, Gaming & Exercise, etc.

Since all these agencies are appearing to increase compliance surveillance, any client may expect to be randomly selected for some degree of audit activity, even where strict adherence to the law has occurred. Responding to these audits can be not only time consuming but expensive, particularly when accounting or legal representation is sought.

For this reason, we wish to make you aware of the Audit Management Service which manages the audit process at no cost to you, subject to several parameters and up to the professional fee limit selected on the attached Client Acceptance Form ('CAF'). We are not recommending this service but want you, the client, to conduct your own assessment of risk in this area and make your own decision about this service, as you would with any other insurance product.

Audit Services Pty Ltd ('ASPL') has been engaged to manage the Audit Management Service subscription process.

If you wish to proceed, please complete the Client Acceptance Form on the reverse side of this notice and remit (with your payment) to ASPL as directed at the bottom of the form. ASPL will issue a Tax Invoice to acknowledge your subscription. The annual 'Audit Management Service Fee' is fully tax deductible.

The 'Audit Management Service', will commence from the date that ASPL receives the completed Client Acceptance Form and your payment.

ASPL will invite renewal of the 'Audit Management Service' in 12 months time. To continue to access the 'Audit Management Service', you simply pay the renewal fee by the date nominated on the Tax Invoice forwarded by ASPL.

If you wish to further discuss, please contact your Gray Perry – DFK accountant.

Yours Faithfully

GRAY PERRY - DFK

(GP Consultancies P/L) - Audit Management Service - Client Acceptance Form - (05/06/02543)

Scope of cover. Professional fees incurred (up to the level of fees selected) to manage any inquiry, investigation, review or audit initiated by a government agency on any previously lodged return and that arises during the 'Period'. You will be liable for any professional fees incurred over the 'level of fees' you select. The 'Period' is the 12 month period from the date Audit Services Pty Ltd receives this 'Client Acceptance Form' and payment of the 'Audit Management Service' fee in their office. At the end of 12 months, Audit Services Pty Ltd will invite renewal of this service for a further 12 months.

What isn't included in the Audit Management Service. Where (1) a return has been prepared or lodged recklessly, dishonestly or fraudulently or outside of prescribed dates; (2) if the government agency indicates deliberate evasion; (3) where a government agency seeks substantiation of a refund being claimed other than where part of an official audit; (4) any advice or notice of a pending inquiry, investigation, review or audit has already been received; (5) an inquiry, investigation, review or audit relates to deduction, rebate or claim for tax relief arising out of an mass marketed product or scheme unless the product or scheme has received prior written approval from the relevant government authority; and (6) any amended assessments, adjustments, fines, penalties imposed by a relevant government agency.

STEP 1. List the names of Individuals, Trusts, Superfunds, Operating or other entities (*entities must have common majority ownership*) to be included in the 'Audit Management Service'. ****PLEASE PRINT CLEARLY & LIST THE NAMES ACROSS THE LINES BELOW AND SEPARATE WITH A COMMA.****

STEP 2. Select the level of professional fees required to be covered under the 'Audit Management Service'. (*Whilst recommended levels are listed as a guide, based on the likely number of 'names' listed and the possibility of these 'names' being exposed to more than one inquiry, investigation, review or audit during the 12 month period, you need to satisfy yourself as the most appropriate level. Also note that where multiple names are listed, the 'level of professional fees' selected is shared by all.*)

Option	Level	Fee	Guidance
A.	\$5,000	\$160	<i>This level only applicable to 'Individuals' - 1 to 2 Individuals</i>
B.	\$10,000	\$380	<i>2 to 4 Individuals and minimum level for business entities etc.</i>
C.	\$15,000	\$520	<i>1 to 4 Individuals + Superfund or Rental/Investment portfolio + Trust etc.</i>
C.	\$15,000	\$520	<i>Self Employed + Individuals + Superfund + Trust etc.</i>
C.	\$15,000	\$520	<i>Small business under \$1 m combined turnover + Individuals + Superfund + Trust etc.</i>
D.	\$25,000	\$780	<i>Small business \$1 m to \$5m combined turnover + Individuals + Superfund + Trust etc.</i>
E.	\$35,000	\$1,375	<i>Business \$5m to \$20m combined turnover + Individuals + Superfund + Trust etc.</i>
F.	\$50,000	\$2,345	<i>Business \$20m to maximum \$50m combined turnover + Individuals + Superfund + Trust etc.</i>
G.	\$75,000	\$3,620	<i>Businesses up to maximum \$50m combined turnover + Individuals + Superfund + Trust etc.</i>

STEP 3. Selected 'Option': _____ Fee amount: \$ _____

Signature: _____ Date: _____ Contact number: () _____

Your postal address: _____

STEP 4. Mail this form, with payment for the 'Fee amount', to Audit Services Pty Ltd Locked Bag 2323 St Leonards NSW 1590