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Christmas Closure

Our office will be closing on Wednesday 21/12/11 and will re-open on Monday 9/1/12.



Peter's Perspective

Christmas is again upon us as the year of 2011 lurches to its conclusion. It appears we have gone from one crisis to another throughout the year. The Greeks are in trouble, the Italians, the Americans, the Aussie dollar hops up and down like a kangaroo, and our cricketers are in strife.

We, as mere mortals, can only watch the developments and feel powerless, but we do have power. We can maintain our confidence in our ability to see these events for what they really are; these happenings are only temporary as history will show and it is the tough who will survive and thrive. However, some are still struggling because of economic or natural disasters, so Christmas is the time to remember them and if possible, help them in some way.

As I write this section of the newsletter, I have just completed the 500 kilometre Endeavour Foundation Relay, running around Beaudesert, Boonah, Warwick, Toowoomba and Fernvale. The fantastic team that I was a member of put themselves well out of their comfort zone and ran in the heat of the day, all in the name of charity. They tested themselves both mentally and physically and came through with flying colours.

If you aren't tested how do you know the real you? This year has tested many, and I am happy to say that the majority of us are still optimistic about the future. Just like runners, put one foot in front of the other and you will reach your destination.

The current government has recently put through legislation on the Carbon Tax and the Mining Tax. This has future implications on small business (employer superannuation) and on low income tax payers (tax cuts). We won't know the full extent of how it will affect us all for some time, but some guidelines can be found on page 2.

If as clients you value our services, please feel free to refer your family and friends. We would be only too glad to look after their individual needs. In order to improve our services, we invite your ideas and comments on ways we can achieve better results. Brenden, Donna, Karyn, Belinda and Di are here to assist you when you need help.

Over the Christmas break we shall take time out to catch up with friends and family and reflect on the past year. Hopefully 2012 will be full of good news.

Stay safe and we'll see you in the new year.

Cheers, Peter.

Important: This is not advice. Clients should not act solely on the basis of material contained in this newsletter. Items herein are general comments only and do not constitute or convey advice per se. Changes in legislation may occur quickly and we therefore recommend that our formal advice be sought before acting in any area. This newsletter is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded as confidential and not be made available to any person without prior approval.



The Carbon Tax - How might it affect you?

There will be winners and losers among businesses as they adapt to operating in a cleaner energy world. While the net effect of the Federal Government's carbon tax is relatively muted, it is expected to be noticed, to varying degrees, on the balance sheets of many companies.

The direct impact, in particular for the heavy emitters such as coal miners, steel makers and electricity generators, will be offset in the short term by government assistance packages. How smoothly these companies transition to a post-assistance environment will depend on a number of factors, including how easily they can pass on costs and what investments they have made in low emissions technology. Overall, it will come down to how well they are run.

There are a number income tax reform measures that form part of the carbon tax compensation scheme. The income tax changes are primarily designed to benefit people on low incomes. They include a jump in the tax-free threshold from \$6000 to \$19,400 by 2015, a lowering of the low income tax offset and an increase in marginal tax rates (as shown in the table below).

Proposed tax scales			
2011/2012 (Current)		2015/2016 (Proposed)	
Income Range (\$)	Marginal Rate	Income Range (\$)	Marginal Rate
0 - 6,000	0%	0 - 19,400	0%
6,001 - 37,000	15%	19,401 - 37,000	19%
37,001 - 80,000	30%	37,001 - 80,000	33%
80,001 - 180,000	37%	80,001 - 180,000	37%
180,001 +	45%	180,001 +	45%

Carbon tax at a glance

- The carbon tax starts 1 July 2012. There'll be a transition to an emissions trading scheme (cap and trade) from July 1, 2015.
- A one-off rise of 0.7 per cent in the CPI index is expected, resulting in an average \$9.90 per week increase in costs for households.
- Revenue raised by the carbon tax will be used to compensate households by an average \$10.10 per week through tax cuts and increases in Centrelink and family assistance payments.
- Some emission intensive industries will receive government assistance to cover the costs of the tax but assistance will be reduced each year to encourage industry to cut pollution.

Q. Will I have to pay the carbon price?

A. No, it's not a tax on households or small businesses – around 500 large polluters will be required to pay for their pollution under the carbon pricing mechanism. They account for around 60 per cent of our carbon pollution.

Source: Australian Government, Household assistance – tax reform, Clean energy future fact sheet.

Beware of tax related scams!

We have been made aware of a number of new online scams that have been doing the rounds lately. These include emails and phone calls from people pretending to be from the Australian Taxation Office (ATO), promising additional refunds or asking for personal information. If you do happen to receive any phone calls or correspondence directly from the ATO that you are not sure about, please feel free to contact our office for confirmation before divulging any information or clicking on any email/website links.



Christmas Parties and Fringe Benefits Tax

With Christmas just around the corner, it is a good time to stop and consider the fringe benefits tax (FBT) implications of Christmas parties and gifts for staff and associates.

Christmas party held on the business premises

A Christmas party provided to current employees on your business premises or worksite on a working day may be an exempt benefit. The cost of associates attending the Christmas party is not exempt, unless it is a minor benefit (valued at less than \$300).

Exempt benefits – minor benefits

The provision of an offsite Christmas party to an employee may be a minor benefit and exempt if the cost of the party is less than \$300 per employee and certain conditions are met. The benefit provided to an associate of the employee may also be a minor benefit and exempt if the cost of the party for each associate of an employee is less than \$300.

Gifts provided to employees at a Christmas party

The provision of a gift to an employee at Christmas time may be a minor benefit that is an exempt benefit where the value of the gift is less than \$300.

Previously, where a Christmas gift was provided to an employee at a work Christmas party, the combined value of the gift and the Christmas party needed to be less than \$300 to be exempt. The ATO has recently revised its position on this and will now consider both to be exempt, if both are valued at less than \$300 each.

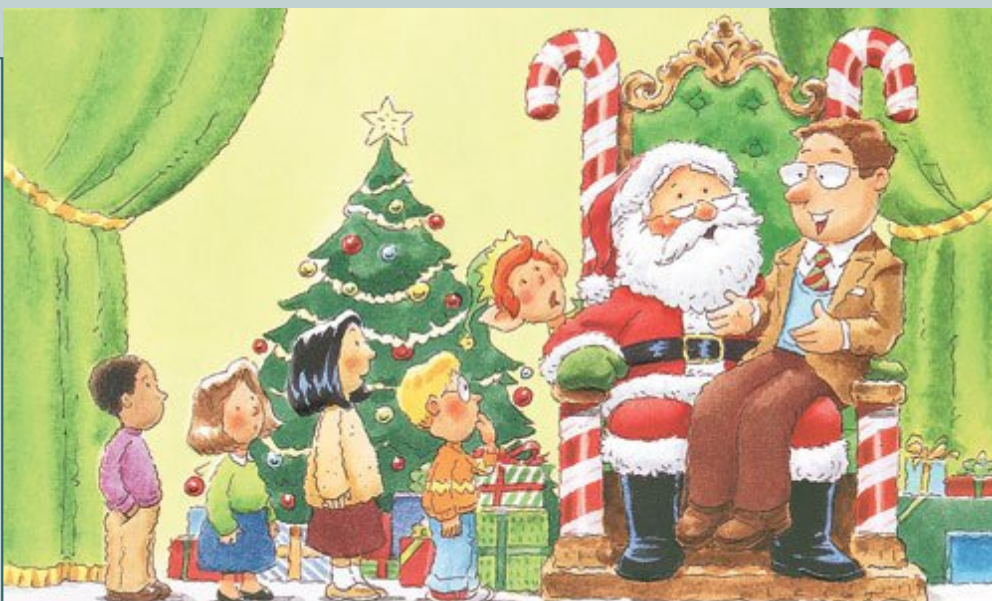
Tax deductibility of a Christmas party

The cost of providing a Christmas party is income tax deductible only to the extent that it is subject to FBT. Therefore, any costs that are exempt from FBT (that is, exempt minor benefits and exempt property benefits) cannot be claimed as an income tax deduction by the employer.

The costs of entertaining clients are not subject to FBT and are not income tax deductible.

THINKING
OF
SETTING
UP A
SELF
MANAGED
SUPER
FUND?

SEE US
FIRST!



UNDER THE
BANNER
OF VINIRIS
FINANCIAL
SERVICES,
WE CAN
PROVIDE
FOR ALL
YOUR
FINANCIAL
PLANNING
NEEDS.

“... Unlimited tax deductions, the maximum exemptions allowed, no late fees or penalties, and a huge refund. That’s all I want, Santa!”



Home Office Expenses

Many of our clients are able to work from home while others maintain a home-office for working after hours. This can provide greater flexibility and help to achieve the right work/life balance. The deductible expenses that crop up from working at home can include 'occupancy' expenses, 'running' expenses and vehicle expenses.

Deductions for occupancy

This relates to the cost of using the home for income producing purposes and can include a portion of rental costs, mortgage interest, council rates or insurance premiums.

To be able to claim a deduction for any occupancy expense, there needs to be an area in your house that you set aside for working, and that area needs to have the 'character of a place of business'. In other words, it needs to look like a place that offers whatever product or service your home-based business is involved in. Putting up a sign will help, but it is also necessary to have the actual business area well defined.

You can generally claim the same percentage of occupancy expenses as the percentage area of your home that is used to make income (for example, if your home office is 10% of the total area of your home, then you can claim 10% rent costs, council rates and so on).

However, if you opt to claim occupancy expenses, especially mortgage interest, you'll be expected to account for any capital gain attributable to the business area of the home when you sell the house. (i.e. if you claim a deduction for 10% of the occupancy expenses, then you will be liable to pay capital gains tax on 10% of any profit you make when you sell the house)

Running expenses

Running expenses are those costs that result from using facilities in your home to help run the business. These would include electricity, gas, phone bills and perhaps cleaning costs. But again you can only claim a deduction for the amount of the business related usage, not general household expenses.

Motor vehicles

Home-based workers can generally claim a deduction for travel costs where this is business-related. This means that you may be able to claim, for example, the cost of going to a client's premises, or travel to buy equipment or supplies, going out to do banking, or other business-related activity. With all of the above, it is essential to document everything – keep receipts and invoices, fuel docketts and a **LOG BOOK**.

No specific work area

You may still make a living from home, but don't have a particular area set aside primarily or exclusively for these income-producing activities. If this is the case, you may still be able to claim deductions for utility usage such as gas or electricity. You just need to apportion expenses and be able to show how you reached these amounts. In addition, there are phone costs for business use, and even the decline on value of 'plant and equipment' (chair, desk, computer). You will however be unable to make any claims based on renting or owning the house, rates or insurance.

Services We Provide:

- Accounting
- Auditing
- Taxation
- Preparation of Budgets and Cash Flow Projections
- Financial Planning
- Self Managed Superannuation Funds
- General Business Advice

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