

UNDERSTANDING YOUR SUPER

Recent sweeping changes to superannuation have proven a boon for investors and retirees, but as attractive as the reforms have been there are still a number of factors that should be understood by super fund members.

Tax-free benefits for people aged 60 years and over:

For most people aged 60 years or over, who receive super benefits from a taxed source, payment of a benefit as a lump sum or income stream (such as a pension) will be tax-free.

Self Employed:

If you are self-employed you may be able to claim a full tax deduction for your super contributions. You may also be eligible for the Government Super Co-contribution scheme if you have not claimed a deduction.

Limits on concessional contributions to super:

From 1st July, 2007, concessional contributions made to super will be subject to an annual cap of \$50,000. Concessional contributions include employer contributions (including contributions made under a salary sacrifice arrangement) and personal contributions claimed as a tax deduction by a

self-employed person. Contributions in excess of the deductible cap are taxed at the highest marginal tax rate plus Medicare levy and will also count towards the undeducted contribution cap.

Limits on non-concessional contributions to super:

From 1st July 2007, non-concessional contributions made to super will be subject to an annual cap of \$150,000. Non-concessional contributions include personal contributions for which you do not claim an income tax deduction. If you're under 65 in a financial year, you have the option of 'bringing forward' some of your contributions. Instead of a yearly cap of \$150,000, you can contribute up to \$450,000 over a three-year period – but certain conditions apply. First, a 'bring forward' option has to be triggered – this will automatically happen when your contributions exceed \$150,000 in a particular year. Once this happens, you can spread out your remaining contributions, so long as they don't exceed \$450,000 over the three year period, starting from the year the bring forward option was triggered. If you contribute more than \$450,000 within this three-year period, you'll be liable for the excess contributions tax.

Even with the reforms, superannuation can still be tricky if you don't have all the facts. For more information either contact CKG Partners or visit www.ato.gov.au



HAVE A MERRY CHRISTMAS



The Partners and staff of CKG would like to thank you for your support throughout 2007. We hope you have a safe and special Christmas that will only be bettered by a prosperous New Year full of opportunities.

Please note that Christmas commitments will see our offices closed for the afternoon on Friday, December 7. They will also close for the Christmas break at 5pm on Friday, December 21 and reopen at 8.30am on Wednesday, January 2, 2008.

TAX AMNESTY ON PRIVATE LOANS

The Australian Taxation Office has recently announced that taxpayers have an opportunity to correct mistakes and avoid penalties under Division 7A of the Income Tax Assessment Act 1936.

Division 7A deems that any loans or payments by private companies to shareholders, or their associates are treated as assessable, unless repaid or placed on terms which are considered to be commercial. This includes debts owed by shareholders that are forgiven by a private company. This is effective from 1st July 2000.

Recent changes to tax law enable the Commissioner of Taxation discretion to disregard the operation of Division 7A where the breach occurred as a result of an honest mistake or inadvertent omission.

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TAX AMNESTY ON PRIVATE LOANS

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As part of its commitment to small business, the ATO is giving business owners a one-off opportunity to correct past mistakes regarding payments and loans from their private companies and avoid penalties under Division 7A. ATO will resume audit work from 1st July 2008.

Corrective actions include implementing formal loan

agreements and shareholders making payments of interest and principal under the loan agreement.

One of the criteria is taxpayers must have lodged all income tax returns for the period of 1st July 2001 to 30th June 2007 to satisfy the amnesty requirements.

If you have concerns about your potential risks or what steps need to be taken to rectify exposure and would like to take advantage of the amnesty, please contact our office.

A SIMPLE REVIEW OF BREAK-EVEN POINT

A person starting a new business often finds themselves asking: "What level of sales are needed for my business to make a profit?" Established companies often find themselves asking the same question – many times a little too late.

Break-even point or break-even analysis is based on the relationship between expenses and revenues. It is fundamental to understand how expenses will change as sales increase or decrease. Some expenses increase as sales increase, whereas some expenses will not change as sales increase or decrease:

Variable expenses:

Variable expenses increase when sales increase. They also decrease when sales decrease. These expenses include items such as cost of goods sold, or some wages.

Fixed expenses:

Fixed expenses remain the same when sales change. These

expenses include items such as rent and administration.

Consider the basic Profit and Loss Statement. The business has not made a profit – but it has just reached break-even point.

Calculating break even point:

The basic formula for calculating break-even point in sales revenue is:

FC (Fixed costs) divided by the gross profit percentage (or contribution margin). As an example \$450,000 divided by 60% gives us a break even sales level of \$750,000. That is the level of sales required to break even.

Targeting Profit:

Break even analysis can be used to calculate the level of sales required to reach a desired profit. In order to do this the desired profit is simply added to the fixed cost.

For example, if we desired a profit of \$100,000 the calculation would be Fixed cost plus profit required, all divided by 60%. In this case, that would be \$550,000 (\$450,000 + \$100,000) divided by 60%, giving a required sales of \$916,667.

ARE YOU WORKING UNDER THE CORRECT WORKPLACE RELATIONS SYSTEM – FEDERAL OR STATE SYSTEM?

When it comes to Workplace Relations, trying to establish which system you belong under can still be puzzling for businesses and individuals alike. Here are some indicators to help cut through the confusion:

- Employers and employees who were bound by a federal award immediately before WorkChoices commenced on March 27, 2006 continue to be bound by that award.
- Employers and employees covered by the Workplace Relations Act continue to be bound by their award.
- Other parties who were bound by a federal award before commencement continue to be bound by a 'transitional' award. Transitional awards will operate for a period of five years to allow employers to decide whether to remain in the federal system (by incorporating as a trading or financial corporation), or move to a state system.

Becoming bound to an award after WorkChoices commencement:

Employers, organisations and employees who were not covered by an award on commencement will not become bound to an award other than by order of the Australian Industrial Relations Commission (AIRC). The AIRC will decide who is bound by awards made or varied during award rationalisation. Rationalised awards may identify employers as part of a class (such as an industry), rather than by name.

Federal agreements:

AWAs made before the commencement of WorkChoices continue to operate even after they pass their nominal expiry date unless terminated or replaced by a new AWA. Pre-reform AWAs cannot be varied after the commencement of WorkChoices.

Certified Agreements

Certified agreements made before the commencement of WorkChoices continue to operate until they are replaced by a collective agreement or an AWA made after WorkChoices commences.

For advice on your specific circumstances, contact the team at CKG Partners.

Information taken from workchoices.gov.au



CEO of Sunnymead Parks
Managed Estate, Margaret Walker

LIFE IN OUR RETIREMENT VILLAGE IS JUST THE BEGINNING

As the CEO of Sunnymead Parks Managed Estate at Caboolture, Margaret Walker says the day-to-day running of the 10-acre retirement village, serviced apartments and high-care facility keeps her and husband Les well and truly on the hop.

So, she says it's comforting to know their business finances are in good hands with CKG Partners. "Given that the Carer's Act changes regularly, we're particularly impressed how CKG keeps up to date with the amended legislation and we've had many discussions on what we can and can't do," Margaret said.

"It's been a big learning experience for us, and I'm sure for them too. By calling on their expertise it lets us get on with caring for our residents," she said.

Margaret sees nothing wrong with staff sitting on the side of the bed and "having a cry" with a resident. The registered nurse says it tells a lot about her staff's character and shows that their work is so much more than just a job.

With 120 staff on the books, Margaret insists they're just like one big family and she takes great pride from recent presentations that saw a number of "her girls" receive 25-year and 30-year service acknowledgements. Not that Margaret is new to the game either.

"When I started in the business in 1966 I was one of the youngest, now I'm one of"

While she could only finish that sentence with a giggle, it's obvious her time in the industry has always been to provide the very best quality of life for the people who come through her doors.

"Some of our residents can be with us for 10 to 15 years, so we get to know them and their families very well. Our lives become intertwined," she said.

LIFE IN THE FAST LANE

From all reports, Aaron Clark is boring.

Just ask him and the founding member of CKG Partners will tell you his life is a simple cycle of work, family and being stuck in Brisbane's infamous traffic snarls – nothing more.

But if you delve a little deeper, you'll find when he's not keeping up to date with the latest in accounting procedures or delivering the very best in personal service to his clients, a day in the "life of Aaron" is anything but mundane.

Still superbly fit, he loves swimming and running and has even competed in a few half marathons; having only recently added the gruelling City to Surf to his list of pavement-pounding achievements.

When he's not working the treadmill at the local gym he says he's pulling weeds and pottering around the garden, chasing his grandson or overseeing renovations on his house.

A true man for all seasons, he also admits he's just as comfortable watching the rugby as taking in the ballet, but admits there is one overriding passion.

Having been involved in motor racing in the mid '80s, Aaron's "need for speed" was quenched recently when he slipped behind the steering wheel of not one, but seven Porsches at the Mt Cotton driving circuit.

The precision driving course, a surprise gift from his family, saw him pit his skills against an unforgiving track layout and with an advanced course still to be mastered; Aaron says he'll be back for more.

But for now he's turning to driving of a different kind by taking to the golf course; and after just six months in the sport he's pretty sure he's not the next Tiger Woods waiting to be discovered.

"I think I need some lessons because the other golfers say I sure do get more hits for my buck," he confesses.

A true accountant, Aaron looks for value in everything he takes on.

Aaron Clark





Carmel and Greg Chapman

A TRUSTED PARTNERSHIP

Carmel and Greg Chapman agree that respect for each other's strengths and opinions are key to the success of their 23-year marriage. But when it comes to their success at Imperial Kitchens, they both say working with CKG Partners for more than 10 years has been an invaluable business decision.

"CKG is a highly-respected and trusted firm and they are very much a part of our team," Greg explains. Carmel agrees, saying that for her, the critical success factor is to always be in a position of knowing your current financial situation.

"This is what I love the most about business," she said, "keeping my finger on the pulse so that I can respond to any given situation quickly and efficiently."

"It's also vital to surround yourself with the right people and expertise," she said. "It's about empowering your employees, making them accountable for their areas and rewarding them continually. Knowing what they are good at and what makes them happy, so you can try to provide the environment that motivates them."

But, as exciting as the continued growth of the business is - it's not all about work. Carmel and Greg believe striking a balance between work and home life is imperative.

"Spending time with the family is just as important as looking after the company, but having a break and taking time out from the business can give you a fresh approach and helps you gain perspective," Carmel said.

"I ensure CKG is networked with all the right people connected to our business so when Greg or I are not around, the ship still sails."

ACCOUNTANT'S FESTIVE SLIMMING TIPS:

If your ass-ets are looking a little bigger than you wanted it to in the lead up to Christmas, here are some surefire tips to get your bottom line back into top fiscal fitness.

1. You know you're becoming too preoccupied with food if you think the Nikkei Dow is the blackboard special down at the local Japanese takeaway.
2. Write this down - a liquid asset isn't a bonbon with runny caramel in the middle.
3. Salary and celery are virtually one in the same - the more you have the better off you'll be.
4. Always stick to a budget. Remember, if you can't budget, then you've put way too much food on your tray.
5. If you have an indenture in place it might be best to stay away from the barley sugar or peanuts.
6. Remember, being "in the black" is very slimming; being "in the red" can make you look a little hippy.
7. Always monitor leverage ratios. If it takes you more than five attempts to get out of your easy chair you may need to lose some kilos.
8. Know that there are good deductions and bad deductions. A bad deduction is convincing yourself your high school riding jodhpurs could still fit if you wiggled hard enough.



9. It's in your best interests to find a good beneficiary (or any other fishery that's low in kilojoules).
10. Remember that third-party insurance is always advisable if you've been thrown out of the last two for slipping the Christmas cake into your backpack.

YOUR FEEDBACK

We are always encouraging feedback about how we can improve our service to you. If you have any suggestions about how you feel our newsletter could better inform you, please let us know: feedback@ckgpartners.com.au

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[WE KNOW HOW]

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