



2007 Winter Newsletter

How long will your superannuation pension last?

Following the 'simpler superannuation changes', people can purchase account-based pensions with their super money.

This new type of product will be available from July 1, 2007.



Account-based pensions can be a tax-effective way of receiving regular income payments.

They also provide the flexibility of taking out lump sums from the fund at any time.

The ASIC has developed a calculator that assists you in comparing between account-based pension products available, and how long your super will last in each scenario.

Through graphical representations and tables, the calculator allows you to compare the long-term effects of:

- a. Product fees
- b. Investment strategies & investment earnings
- c. Annual income drawn
- d. Any lump sums drawn

The calculator is accessible via the ASIC's consumer website "FIDO", at www.fido.gov.au

Confused over the budget?

In the 2007 Federal budget, the government announced they would double the co-contribution paid in respect to eligible personal superannuation contributions [[click here for more information](#)].

But confusion has since arisen in relation to what year the bonus will apply to.

The confusion has prompted the Association of Superannuation Funds of Australia ["ASFA"] to issue a press release to clarify what year will be affected.

ASFA were concerned that some fund members had been misled by media reports that may have suggested the bonus was to apply to contributions made during the 2006-07 financial year.

In fact, the bonus only applies to contributions made during the 2005-06 year.

It is therefore too late to make contributions that will qualify for the bonus co-contribution.

While ASFA applauded the move to double the co-contribution for the 2005-06 year, they expressed disappointment that the initiative only applied to past contributions.

Taxation Statistics – who has been reporting what

The Tax Office has recently released its latest edition of "Taxation Statistics", its most comprehensive statistical publication.

Taxation Statistics is designed to inform the public as to what taxpayers have been reporting to the Tax Office.

This year the report has been modified to include additional information, partly in response to requests from the community.

This additional information includes:

- e. adding 2 year tables to enable clear comparisons with the previous financial year.
- f. Tables on e-tax, rental income and deductions.
- g. Tables disclosing total work-related expenses by salary and wage occupation codes.
- h. Statistics on the first child tax offset, family tax benefit claims, private health insurance rebates, and the film and television tax offset.

Taxation Statistics is available on the Tax Office's website at www.ato.gov.au. Feedback on the information included in the report or other suggested



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changes can be emailed to the Tax Office at taxstats@ato.gov.au.

Business Taxes – just how many are there?

The president of the BCA, Michael Chaney, expressed concern about the failure of governments, particularly at state level, to streamline the overall business tax system following the introduction of the GST.

A report conducted by the BCA and the CTA has been issued after surveying around 100 of Australia's largest companies.

The key findings of the report indicate that:



Businesses are faced with 56 different taxes to comply with, including 33 state and territory taxes;

For each \$1 paid by businesses as income tax, a further 50 cents is paid for various other taxes;

One third of respondents spent in excess of \$2m annually in tax compliance; and

Businesses in the survey collected a further \$37b on behalf of the government through the Goods and Services Tax, various excises and personal income tax (PAYG).

The BCA and CTA are calling for a Productivity Commission review of the entire business tax system in order to devise possible reforms.

Impact of New Superannuation Rules

Deputy Commissioner Ms Raelene Vivian recapped on the changes to superannuation that were proposed in the last federal budget, and that have

now been passed by Parliament.



Ms Vivian discussed the impact of some of the transitional arrangements for making post-tax contributions.

She reiterated that people who have exceeded the \$1million cap between May 10 and December 6, 2006 have until June 30, 2007 to request a release of the excess contributions from the Tax Office.

In addition, Ms Vivian said that the Tax Office will use members' contributions statements and income tax returns to ensure that contribution limits are adhered to.

On the issue of quoting Tax File Numbers, the Deputy Commissioner stated that there are still large numbers of individuals in the larger funds who have not provided their TFNs.

Ms Vivian also urged taxpayers who were intent on taking advantage of the new super rules to consider the flow on implications of doing so, such as:

The restrictions on, and capital gains tax implications of, transferring property from related parties of a superannuation fund to the fund; and

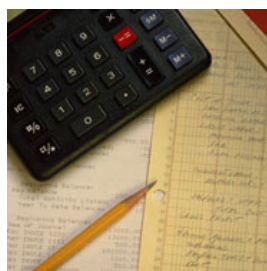
Whether interest on monies borrowed to make the one-off \$1 million post tax contribution between May 10, 2006 and June 30, 2007 will be tax deductible.

Finally, Ms Vivian indicated that the Tax Office will increase its compliance coverage for Self Managed Superannuation Funds [SMSFs] and auditors over the next two years, and that there would be no period of grace to allow trustees of SMSFs to get used to the new rules.

FBT Rates and Thresholds for 2007-08

The rates and threshold levels for various fringe benefits provided from April 1, 2007 have been updated. The changes include:

The benchmark interest rate, applicable to all loan fringe benefits and car fringe benefits valued under the operating cost method is 8.05% p.a.



The cents per kilometre rates relevant for valuing benefits from the private use of vehicles other than cars, are as follows:

Engine Capacity	Rates per Kilometre
0 to 2500cc	41 cents
Over 2500cc	49 cents
Motorcycles	12 cents

The exemption from record keeping is available to employers who meet certain conditions and whose total benefits provided for the year beginning April 1, 2007 is less than \$6,614.

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The indexation factors used for valuing non remote housing benefits for the year beginning April 1, 2007 are as follows:

New South Wales	1.023
Victoria	1.019
Queensland	1.057
South Australia	1.034
Western Australia	1.053
Tasmania	1.049
Australian Capital Territory	1.031
Northern Territory	1.054

You can't please everyone when it comes to tax

The 2007 Federal Budget brought some good news for taxpayers with \$31.5 billion worth of personal income tax cuts.



One of the leading business groups in the country, the Australian Chamber of Commerce & Industry, welcomed the tax cuts and believes they will also benefit small business activity.

The ACCI however, are urging the government and opposition to improve the current position on Capital Gains Tax.

Peter Hendy, the chief executive of the ACCI expressed his concerns that capital gains tax "is a constraint on investment".

According to the latest quarterly St George-ACCI survey, business taxes and government charges constitute the second highest factor limiting business investment.

A change to, or reduction in, capital gains tax may help overcome this issue and in fact promote further investment.

ASIC to Enlist the Assistance of Property Experts

Australia has seen the third major collapse of a property investment company in the past two years, with The Estate Property Group going into voluntary administration – joining Westpoint and FinCorp.

According to the ASIC, these collapses have cost investors close to \$1 billion, and have affected over 19,000 people.

For this reason, the ASIC has appointed a team to review the property investment market.

Experts will be appointed to assess the underlying business models to determine where the risks are and how to communicate them.

The ASIC's plan will also involve the issue of valuations and e-retail investor education.

The ASIC will look at both existing business models and ones that may be released in the future.

2007 Car Parking Fringe Benefits Threshold

There are various circumstances that give rise to car parking fringe benefits.

Generally, two of these conditions are that:

- a. A commercial car parking station must be located within one kilometre of the car park provided by the employer; and
- b. The lowest fee charged by the operator of the commercial car park must be more than the car parking threshold.



For the FBT year commencing April 1, 2007, the car parking threshold for fringe benefits tax purposes is \$6.78.

Where there is more than one commercial parking station located within one kilometre, the condition is satisfied if the lowest fee charged by any of the operators is more than the threshold.

The cost to the employer of providing car parking benefits is tax deductible.

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