

# SHOMAR & ASSOCIATES

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## September Newsletter

### SPRING HAS ARRIVED!

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Spring is the time when many families do the traditional spring clean around the home.

It is also the time for AFL and NRL finals, the start of the spring racing carnival culminating with the Melbourne Cup.

From an accounting perspective it is a time when we are busy preparing tax returns and talking to business owners about the next 12 months and encouraging a review of a number of business processes that may have gone unchanged for long periods.

This quarter's newsletter is looking to highlight this period with a few Spring Clean Thoughts.

One area of concern we see with many new clients to the practice is poor asset structuring. Too few new clients have an understanding of the best asset structure to hold a business, superannuation or family investment assets. Many have no will or estate plan.

Apart from asset protection these clients may also be vulnerable to receive a greater taxation liability because of holding assets in the least effective manner. If you are unsure whether your own asset structures are ideal, maybe this can be a spring clean consideration for your family. Now is a particularly

good time to assess this due to the volatility of the market and potential offset opportunities with investment gains and losses.

We hope you enjoy this quarter's newsletter, last year we gave an early Melbourne Cup tip that is still running however, we will try again.

This year our early tip is Maluckyday.

# ATO clamps down on GST fraud and cash income



A key part of the ATO's Compliance Program they are increasing their focus on non-complying taxpayers in the GST system, as well as those who fail to report some or all cash transactions.

To this end, the ATO has increased its scrutiny of businesses deliberately not reporting cash income, with over 1.4 million small businesses evaluated against the ATO's "sophisticated risk detection systems". The ATO also states: "While it is not illegal to trade in cash, it is illegal to not report it".

As an example of their compliance activity, a director in WA has been sentenced to 3 years jail, with a non-parole period of 20 months, for understating cash business sales by over \$5.6 million and for the intent to underpay GST obligations by around \$514,000.

The ATO also reported that they received over 44,000 'contacts' last year, including calls, letters, faxes and emails from the community relating to those who may be doing the wrong thing in relation to their obligations (via the ATO's Tax Evasion Referral Centre).

If you need help with your GST or understanding the ATO's benchmarks we are here to help with your reporting systems to reduce the chances of receiving the call we don't want.

## Meaning of 'cost price' of a car for FBT purposes

The cost price of a car owned by a person (i.e., the employer or the lessor, such as a Fleet Management company) will be the amount of the purchase price that has been borne by that person (inclusive of GST, luxury car tax and dealer delivery charges where applicable), as well as other amounts which are directly attributable to the acquisition or delivery of a car.

In addition, some amounts may reduce the cost price, including:

- fleet discounts, or any other incentives or discounts that are applied by a car dealer to reduce the purchase price of a car;
- manufacturer rebates paid directly or indirectly to purchasers; and
- the value of a trade-in vehicle provided by the employee to a car dealer (or a cash payment made by the employee) that reduces the purchase price for the employer or the lessor.

However, insurance costs and extended car warranties are not directly attributable to the acquisition or delivery of a car and are not included in the 'cost price' of the car.

One area that we can be assisting clients with is the establishment of vehicle and equipment finance including salary packaging motor vehicles.

If you would like to discuss vehicle or equipment finance or compare the cost of having your vehicle salary packaged, don't hesitate to contact the office.

## ATO warning about illegally accessing super early

The ATO is concerned about the number of illegal schemes being promoted that offer people access to their super savings early.

In addition to paying excessive fees or commissions (sometimes in excess of 30% of their super balance) a fund member could be taxed at rates as high as 46.5%, even if the amounts are repaid to the fund.

The ATO also warns people to be wary of identity theft and fraud, as these thefts can go unnoticed for some time and cause long term problems for the individuals in obtaining finance in the future.

Fund members may access their super early if they are experiencing financial hardship or have strong compassionate reasons. If you are considering this, make sure you talk with your financial planner or our office.

## Some good news for business around unsecured funding

With recent credit agency survey results indicating debtors are taking even longer to pay, more and more businesses are faced with lack of funds. Borrowing money from banks is increasingly difficult without real estate security. Some good news – a clever form of finance has now emerged to help Small to Medium Enterprises (SMEs).

Debtor finance, or invoice factoring, as many clients would know, hasn't always been an option for many SMEs because their turnover is either too small, there are issues with debtor concentration, or they simply didn't want to be tied down with an annual contract that could really affect their profitability.

A new cash flow facility we talk of offers both complete flexibility and a high level of service.

Businesses can now choose to factor one or more invoice at any given time without the need of bricks and mortar security – enabling them to receive a lump sum capital injection to solve short-term cash flow problems as they arise. Not only this, approvals usually take around 24-48 hours, with repeat transactions able to be done within hours.

Whether businesses need fast and small amounts of funding for staff super, equipment deposits, ATO obligations or simply to keep creditors happy - this new and unique invoice factoring facility could be the answer.

We also have partners in place ready to refer you to when the expertise falls outside our office, so please always call if you need a hand.

## Always get a second opinion

The old adage that customer loyalty is rewarded is generally true.

That said, many clients feel that banking with a certain bank for years means sharp rates and lower fees on their home loans, business finance, or vehicle and equipment finance each time you seek finance.

Our experience is that the new customer is the target for the banks and the finance companies best rates.

In a very competitive market for new finance, obtaining a second opinion or quote from another bank or a broker next time you look to refinance an asset is wise.

Without looking at fees, which can also make a significant difference, an example of just how much difference the rate matters is shown below.

<b>\$400,00 Home loan, repayable over 25 years</b>		
<b>6.8%</b>	<b>7.5%</b>	<b>8.5 %</b>
Monthly payments:		
\$2,776	\$2,956	\$3,087
Total Repayments over loan period:		
\$832,100	\$886,800	\$926,100

In respect to motor vehicle finance the rate differentials can be far wider than the examples above on home loans. Some car dealers and finance companies are charging out leases at upwards of 12% when the market is 3-4% below that.

If you don't have a contact that can provide a second opinion, feel free to use one of our partners in this area.

The cost of a comparable quote is nothing, and in many cases this simple exercise is seeing clients save thousands of dollars in interest repayments.

# What is the cost of the Carbon Tax?

We don't want to be seen as political in any way but a few clients have asked us just how much the carbon tax is going to cost them.

Whilst there is no legislation or certainty the tax will come in, the Government has put together a calculator for Australians to do a quick check of the impact it will have.

To take a look check out the website [www.cleanenergyfuture.com.au](http://www.cleanenergyfuture.com.au)



## On a much lighter note!

The trap when writing the newsletter each quarter is to be too conscious of continually including tax, tax and more tax related information, so we have decided to include a few tidbits we have picked up around the place to conclude this quarters newsletter.

### Did you know?

- -40 degrees Celsius is equal to -40 degrees Fahrenheit
- 9 out of 10 lightning strike victims ...survive
- A bird chews with its stomach
- Bill Gates designed a traffic system for Seattle when he was 15 years old
- Each year falling coconuts kill more people than sharks do (about 150 per annum )
- Motorists driving while talking on the mobile are more impaired than a driver at .008 alcohol reading
- Natural gas has no smell, the smell is added so we can smell the leaks.
- People who are lying tend to look up, and to their left
- The electric chair was invented by a ....dentist
- Chewing gum while peeling onions stops you from crying
- Frozen lobsters have been known to come back to life when thawed
- There is around 150 million sheep in Australia (7 times the human population)
- The average Australian will consume 165,000 eggs in his or her lifetime
- Melbourne has the largest remaining tram public transport system in the world
- Australia's first television station was Channel 9, which opened in Sydney in 1956
- The most medals Australia has ever won at an Olympic Games was in the 2000 Sydney Olympic Games, a total of 58 medals
- The oldest skeleton to ever be found in Australia was believed to be 60,000 years old. It was that of an Aboriginal male, traces of ochre (a ceremonial paint used by Aboriginals) were also found
- The first ever meeting of the Australian Labor Party (also the first political party to form in 1891) was held under a gum tree at Barcaldine, Queensland