

*Please note: The information in this newsletter is to highlight issues of general interest for Clients and must not be used as a basis to formulate decisions. Please call us for more detailed advice that will be applicable for your specific circumstances.*

### Some Super relief in Federal Budget

There were no shocks for the superannuation industry in the Federal Budget announced on 22 May 2001, the main measures directly affecting the superannuation industry in brief are:

#### 1. Reduction in surcharge on certain employer eligible termination payments (ETPs)

There are to be three changes.

(a) The existing transitional arrangements which were to finish on 19 August 2001 will be made permanent. The now ongoing arrangement provides that only the portion of an employer ETP that accrued after 20 August 1996 will be liable to the termination payments surcharge or the superannuation contributions surcharge. Furthermore, termination payments rolled over into a superannuation fund between 20 August 1996 and 1 July 1997 will be liable to the superannuation contributions surcharge only in relation to the part of the payment that accrued after 20 August 1996.

(b) Only the amount of the employer ETP divided by the taxpayer's years of service will be included in the taxpayer's adjusted taxable income for surcharge purposes. This means that taxpayers who receive moderate termination payments and who otherwise do not have high incomes will have a reduced or no surcharge liability. This will apply only for payments less than the upper surcharge threshold (\$98,955 for 2000/01). This change will apply to payments made from 20 August 1996.

(c) The excessive component of an employer ETP will not be liable for the termination payments surcharge, while still being liable for the Medicare levy and tax at 47% as the excessive component of taxable income.

The above is expected to cost \$14m in forgone revenue for 2001/02.

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The Tax Office will write to taxpayers who received a surcharge assessment before 1 July 2000 where the employer ETP taken in cash or rolled-over was below the upper surcharge threshold (\$85,000 for 1996/97, \$88,910 for 1997/98, \$92,111 for 1998/99, \$94,966 for 1999/2000 and \$98,955 for 2000/01). Taxpayers who received an employer ETP above these amounts in any relevant year will not be affected by the announced change and their surcharge assessments will not be reviewed.

The Tax Office will automatically reassess the liability for taxpayers who have received a termination payments assessment or superannuation contributions surcharge assessment in the current income year.

Source: Budget Paper No 2, p 32; Assistant Treasurer's press release No 20; Tax Office media release Nat 01/35, 22 May 2001. .

## **2. Super assets exempted from social security means test for people aged between 55 and age pension age\* from 1 July 2001.**

Since September 1997, social security recipients have had their superannuation assets counted as an asset and deemed as income once they had received income support payments for 39 weeks since turning 55. There was widespread criticism of this as contrary to the retirement income policy as the effect was to make people access their superannuation before retirement age.

According to the Budget papers, this measure will result in around 55,000 clients either receiving an increased payment or becoming entitled to payments, and around 17,000 new clients are expected to become entitled to a Health Care Card or Pension Concession Card. The measure is expected to cost \$98.5m in 2001/02.

Source: Budget Speech, p 4; Budget Paper No 2, p 109.

\*Age pension age is currently 65 for males and 61.5 for females.

## **3. Seniors and pensioners: increases in rebates and Medicare levy threshold**

The pensioner rebate and low income aged persons rebate were recently increased (by regulations gazetted on 11 May) to \$1,608 for individuals and \$1,155 for each member of a married couple from the 2000/01 year. This provided an effective tax-free threshold of \$15,970 for individuals and up to \$26,606 for couples.

In the Budget the Government announced that these rebates will be further increased to \$2,230 for individuals and \$1,602 for each member of a couple for the 2000/01 year. This will now provide an effective tax-free threshold of \$20,000 for individuals and up to \$32,612 for couples. The rebates cut out at \$37,840 for individuals and \$29,122 for each member of a couple.

As complementary measures, the Government has increased the Medicare levy threshold to \$15,970 for pensioners not of age pension age, and \$20,000 for persons of age pension age. These measures ensure that persons who are not liable for income tax, because of their entitlement to the pensioner rebate or low income aged persons rebate, are also not liable for the Medicare levy.

Source: Budget Paper No 2, pp 42-43; Minister for Financial Services & Regulation's media release No 40, 22 May 2001.

## **Always seek specialist advice when investing.**

**If you have missed your tax planning session for 2000/01, call us now to get some solid strategy in place for the new year ahead.**



## **Book Review**

"Flies in the Ointment – Medical Quacks, Quirks and Oddities" By Dr Jim Leavesley & Dr George Biro

Covering the most bizarre and the infamous while exploring the most common medical misconceptions. This is certain to satisfy the most morbidly curious of readers while entertaining the rest of us.

## **Top 10 Never-Evers for Business Owners**

*From Business Plans For Dummies, by Paul Tiffany, Ph.D. and Steven D. Peterson, Ph.D., (IDG Books Worldwide, Inc.)*

There are some business planning errors that will leave you saying "I can't believe I did that." Listed below are the top 10 that all leaders should aim to avoid.

### **1. Failing to plan in the first place.**

Planning isn't easy. But the planning process is bound to leave your company better prepared to face an uncertain future. Although a business development plan may not solve all your problems, it can help. Planning makes you a better manager and makes your company, no matter how large or small it is, more competitive and more likely to succeed over the long haul.

### **2. Shrugging off values and vision.**

You're itching to line up your products and services, seize the opportunities that are right in front of you, and face down your competitors one by one. This situation is the business version of a roller-coaster ride, and you can't deny that it's exciting — ups, downs, hairpin corners. But roller coasters end up right

back where they start. And so will your company, if you don't stand back and spend some time on the values and vision that set you off in the right direction. Your company's values and vision statements are there to remind you where you want to go and what you want to become. Together, these statements are your business compass, so you don't want to start your journey without them.

### **3. Second-guessing the customer.**

Whether you're trying to satisfy an individual customer face to face or attempting to figure out what an entire segment of the market needs and wants, you ignore what customers tell you at your own peril. This idea seems so obvious that it's hardly worth repeating. But you may be surprised how many companies approach the marketplace with a we-know-just-what-you're-looking-for attitude. Just remember that if you're not listening to your customers, one of your competitors is.

### **4. Underestimating your competition.**

Watching your competitors is just as important as listening to your customers. After all, if you want to stay ahead of the pack, you have to know what the rest of the pack is up to. The more you know about your competitors, the more you can use what you know to beat them at their own game.

### **5. Ignoring your own strengths.**

Why does the grass always seem a little bit greener in the other company's yard? It usually isn't all that green when you get up close and look carefully. But there's a real temptation in business to think that other companies have all the right answers, the better way of doing things, the correct approach. Oh, you can always learn things from your competition — no doubt about it. But what's right for one competitor isn't necessarily going to be the best way for you to do things. So don't forget to catalogue your company's own unique strengths and use them to your own advantage in the marketplace.

### **6. Mistaking a budget for a plan.**

Putting together your company's budget is one of the most critical steps in the business development planning process. But don't ever mistake this budget for your business development plan. The bulk of your plan is all the work that you do upfront, before you begin to put your budget together in the first place. All that analysis of your industry, customers, competitors and yourself makes your financial decisions the right ones — the ones that move your company closer to your larger business goals.

### **7. Shying away from reasonable risk.**

Some people jump out of air planes; others won't ride a ferris wheel. Some of us are willing to bet the farm; others have trouble buying a lottery ticket. But no matter how you feel about risk, nothing's risk-free, especially in today's competitive markets. Doing business means taking risks, and creating a business development plan is one good way to manage those risks. Don't shy away from making a bold business move after you've done your homework, assessed the risk and know that it's a reasonable step to take.

### **8. Allowing one person to dominate the plan.**

Nobody has all the right answers. So no matter how big or small your company is, don't create a business development plan all by yourself. Even if you're the only one running the show, get other people you trust involved in your planning process — at the very least, to review what you've done and provide an outside perspective. If your company is bigger, involve as many people with different points of view as you can in your planning process. The more viewpoints you get, the stronger the business plan will be.

### **9. Being afraid to change.**

It's not easy to change the way that you do business or the kind of business that you do. Change is particularly hard if you're really successful. But a good business plan alerts you to changes that your company should make before

you're forced to make them — changes that allow you to be more responsive to customers, more competitive, more efficient and more successful.

### **10. Forgetting to motivate and reward.**

You have to link your strategy to your vision; link your vision to the company mission; link your mission to the goals and objectives that you set. Then you have to link all these pieces of the plan to the way in which you motivate and reward the people around you.

Partner, **Brian Willett**

specialises in Business Guidance and has extensive experience helping businesses address these very issues.

## **Greater sex.com.au disclosure urged**

[H&B Note: H&B advises that the following article is recommended for reading by mature audiences only. It contains sexual references and adult themes.]

ASIC has placed an interim stop order under sec 739(3) of the Corporations Law on the prospectus of sex.com.au Limited. The company wishes to raise \$3 million dollars to fund the expansion of its website.

Apparently, the prospectus was not explicit enough to enable potential investors to assess the financial position and prospects of sex.com.au Limited.



## Company Superannuation for your staff

Most of our business clients have found that the management of company superannuation programs for their staff has become increasingly more complex and time consuming. We already manage company superannuation for small 10 people funds to large 300 people funds.

It is an important area as it is linked to the emotional consequences of managing your staff's money and their future retirement. As people are being encouraged to take responsibility for their retirement, they are beginning to take an active interest in what actually does happen as well as wanting to know about the performance of their money.

**Alex Koutzoumis** is the Partner who can assist your business with a superannuation fund designed for the needs of your staff. He will demystify superannuation for your employees and help them to have their own flexible option.

**"Thinking is the hardest work there is, which is the probable reason why so few engage in it."**

**Henry Ford**

## Death or Depth in the Second Dimension ?

Also called the 'back end', this is when your customers buy other related products or services from you because they are satisfied with their initial purchasing experience.

In eagerness to expand their business, some owners, in deciding "What business am I really in ?" take on more than they can profitably run. For example, you're in the trucking business and a 'back end' or second dimension opportunity may be in logistics management or alliances with other carriers, but not warehousing. So, go after more business and consider;

- 1 Profit
- 2 Pitfalls
- 3 Politics
- 4 People involved
- 5 Pain to retract
- 6 Priority for your total business

## FBT Car parking threshold for 2001/02

The car parking threshold for the FBT year commencing on 1 April 2001 is \$5.79 (up from \$5.46 for 2000/01).

Section 39A of the Fringe Benefits Tax Assessment Act 1986 sets out a number of conditions that must be met before car parking facilities provided by an employer to an employee will be subject to FBT. One of these conditions is that there is a commercial car parking station located within 1 km of the employer-provided car park and the lowest fee charged by the operator is more than the car parking threshold.

Where there is more than one commercial parking station located within 1 km, the condition is satisfied where the lowest fee charged by any one of the operators is more than the threshold.

For example, if there are three commercial parking stations located within 1 km of the employer-provided car park and the fee charged by each of the operators on 1 April 2001 is \$4.50, \$5.50 and \$6.00, respectively, then the condition is satisfied because the lowest fee charged by one of the operators is more than the car parking threshold. TD 2001/11

One of our Tax specialists, **Smita Khakhar** can advise you on your detailed tax queries.

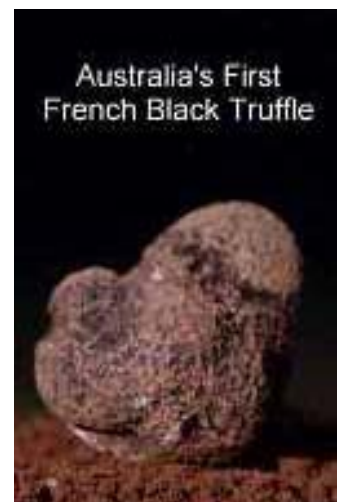


## Truffles not to be trifled with

Truffles are a mycorrhizal fungus and grow around the roots of trees. Prices for French truffles can reach \$A3000 per kilo.

A Tasmanian Truffle company will be issuing a prospectus later this year for Australian investors. It is likely to make a good Press story. But while there may be an attractive tax deduction, the risks of any returns are speculative and the dividends could be long coming.

Seek advice before you trifle with truffle investments.



Australia's First French Black Truffle

