



DUNCAN DOVICO
Accountants & Advisors

The BOTTOM Line

EDITION 2
2013

IT'S ALMOST 30TH JUNE...AGAIN!

It's hard to believe the 30th June is almost upon us yet again. For some important and handy tax time tips refer to the lift out contained in this edition. For greater detail and prior to implementing any pre 30 June 2013 tax strategies contact us on 1 300 883 122 and or visit us at www.ddvic.com.au



From left: NEBF Sponsors, and Guest Speakers - Mark Graven, Sam Cranage, Dennis Danaher, Peter Moore, Nick Maxwell, Simon Madden, Brad Purvis & Christopher Cicutto

NORTH EASTERN BUSINESS FORUM CONTINUES TO BE A GREAT SUCCESS AND EXPANDS ITS FUND RAISING FOR CHARITY!

Pictured above is the happy crew of sponsors at the last North Eastern Business Forum with Nick Maxwell (guest speaker). The NEBF is proudly supported by Duncan Dovico. For more details turn to page 4 of the newsletter.



DD EQUINE

We are pleased to announce the formation of our specialist Equine Taxation and Accounting Services division. For more details click on the equine link on our home page at www.ddvic.com.au. You can also like us on facebook and follow us on twitter and linkedin.



EDUCATING AND INFORMING OUR CLIENTS

Visit us at ddvic.com.au and view our video library



The 2013-14 Budget Key Highlights is a recent edition to our video library

The **BOTTOM** Line

FEDERAL BUDGET 2013/14 HIGHLIGHTS

- The Medicare levy will be increased from 1.5% to 2.0% from 1 July 2014
- The medical expenses tax offset will be phased out
- There will be a cap of \$2,000 on deductions for work-related self-education expenses
- Superannuation funds will be entitled to an exemption for only \$100,000 (per pension recipient) of current pension income (income earned on assets supporting the payment of a pension to a member)
- A \$35,000 concessional contributions cap (the limit on the amount of deductible contributions that can be made to a superannuation fund) will apply to anyone who meets certain age requirements
- Changes will be made to the way excess concessional contributions will be taxed
- The Baby Bonus will be replaced with an additional family payment, but only for those eligible for Family Tax Benefit (FTB) Part A
- Increases to FTB Part A promised in last year's Budget will not go ahead
- Changes will be made to address profit-shifting by multi-nationals
- The Government will introduce a 10% non-final withholding tax to the disposal by foreign residents of real property holdings (both direct and indirect).
- The ATO will receive a funding boost to allow it to extend its data matching activities and to set up a trusts task force.

IMPORTANT CHANGES TO THE SUPERANNUATION GUARANTEE RATE

To help grow Australian workers' savings for retirement, the compulsory super guarantee rate will gradually increase from 9% to 12% from 1 July 2013 to 1 July 2019. You will need to increase the rate on which you base your calculations to 9.25% on 1 July 2013.

What you need to do

- Update your payroll and accounting systems to apply the appropriate increase to the super guarantee rate
- From 1 July 2013, increase the rate you use to work out the super guarantee payments you make for your employees from 9% to 9.25%
- Continue to increase the rate you use to work out the super guarantee payments you make for your employees each year until 1 July 2019

For further information please contact Amanda Castricum, or Gamini Balasooriya on 1300 883 122.

BUSINESS: DO YOU HAVE MANAGEMENT LIABILITY INSURANCE?

What is Management Liability insurance?

Management Liability protects the individuals and privately owned companies in relation to the Directors personal and Corporate Liability exposures associated with managing a company. A Management Liability Policy provides Business Owners with peace of mind that the Insurers expert legal teams will represent you if a case is brought against you by: Shareholders; Employees; Competitors; Creditors; Regulators; Customers; Liquidators Administrators.

As a Director you may think a claim is completely baseless or without merit, however a claim brought against you or your business will still cost time and money to defend successfully.

The key elements to the cover are as follows:

Directors and Officers: Covers the Directors and Officers (including where the company can reimburse the directors) for any claim alleging a Wrongful Act (negligence, breach of duty, misrepresentations) by a Director or Officer.

Company Cover: Covers the Company where there is a claim against the entity alleging wrongful acts by the company.

Employment Practices Liability: Covers the Company for claims alleging an employment breach including wrongful dismissal, discrimination, harassment, deprivation of career opportunity, breach of contract etc.

Trustee: Covers trustees of staff superannuation funds.

Crime: Covers the company for theft by its employees, whether it be cash or property.

Statutory Liability: Covers defence costs for breach of statutory liability offences i.e Environment Protection Authority (EPA) prosecution.

Occupational Health & Safety (OH&S) Prosecutions: Covers OH&S damages and defence costs if the employer has been found negligent. Due to claim being for an employee cover under a Public/ Products Liability policy does not apply as an employee is not a third party.

Tax Audit: Covers costs of professional services of accountant in the event of an audit by Australian Tax Office (ATO).

If you would like a formal quote please contact: Dale Collins, Aughtersons Insurance Brokers - 03) 9879 7699. Web: www.ains.biz

REMINDER TO SELF MANAGED SUPERANNUATION TRUSTEES OF THE MINIMUM PENSION REQUIREMENTS FOR THE 2012-13 FINANCIAL YEAR

Trustees of Super Fund's should ensure that the Minimum amount must be paid from Account-Based Pensions (ABP) or Transition to Retirement Income Streams (TRIS) to the members before 30th June 2013 as shown below:

Your age	Percentage Factor	Percentage factor applying for 2012/13 with the relief
Under 65	4.0%	3.00%
65 - 74	5.0%	3.75%
75 - 79	6.0%	4.50%
80 - 84	7.0%	5.25%
85 - 89	9.0%	6.75%
90 - 94	11.0%	8.25%
95 or over	14.0%	10.50%

* A maximum pension of 10% applies for Transition to Retirement Income Streams (TRIS).

What if a trustee fails to meet the minimum pension requirements under the SIS Regulations?

If a fund fails to meet the minimum pension payment requirements for an Account-Based Pension or Transition to Retirement Income Stream (TRIS) in an income year, the existing pension will have been taken to have ceased at the start of that income year for income tax purposes.

From the start of the income year the account is no longer supporting an income stream and any pension payments made during the year will be super lump sums for both income tax and SIS Regulations purposes. This means the fund will not be entitled to treat income or capital gains as Exempt Current Pension Income (ECPI) for the year and potentially will be paying 15% on Investment earnings.

For further information contact our Team and ask for Nasr, Rory, Gamini or Graeme on 1300 883 122.

THE 9 GREAT WALKS OF NEW ZEALAND

There are so many magnificent landscapes to explore around the world for walkers/hikers/trekkers - but New Zealand has more than its fair share with about one third of the country set aside as National Parks.

Of the vast network of walkways, the Department of Conservation has identified nine destinations as significant - these are the Great Walks of New Zealand.

On the South Island there is:

1. Milford Track
2. Routeburn Track
3. Kepler Track
4. Rakiura Track
5. Heaphy Track
6. Abel Tasman Coastal Track

On the North Island

7. Tongariro Northern Circuit
8. Lake Waikaremoana track
9. Whananui Journey



The Milford Track is generally regarded as one of the world's best walks, and one of the most famous. It comprises a 4 day/3 night trek through a dramatic landscape of forest covered valleys, mountains and steep fjords from Lake Te Anua to Milford Sound.

Bookings are necessary well in advance, and guided walks are available which include luxury lodge accommodation, 3 course meals, and even your own ensuite. It's the only way to travel!

Walkers begin and finish their journeys from picturesque Queenstown, which is a short direct flight from Melbourne.

*Peter Wood - director of the adventure travel company Gonskie.
P: 0438573271 | E: pete54@me.com*

STRUCTURING YOUR BUSINESS – WHAT ARE YOUR AVAILABLE CHOICES?

The question of how to structure a business is a complex affair, and many and varied factors may need to be taken into account, such as:

- asset protection requirements
- planning for retirement
- estate planning
- tax minimisation
- the possibility of family disputes
- any applicable regulatory requirements

Is it any wonder you need the services of an accountant, financial planner and/or lawyer to help you make these decisions? In order to better understand the reasoning behind the advice you receive it is helpful to have a basic understanding of the different structures available in Australia through which you can run your business, and the way they are taxed.

Sole trader - When a person operates a business as a sole trader they are operating that business in their own name. There is no separate entity, legally or for taxation purposes. All income and deductions from the business are included in the individual's personal income tax return and the individual pays tax on business profits at their own marginal rate. In most cases losses from the business can be offset against other income of the individual (such as investment income or salary and wages), although

there are some special rules which may limit the ability to do this. An individual is entitled to a 50 percent discount on any capital gains they make if and when they sell the business.

Partnership - A partnership is an association of entities carrying on business together (not necessarily all individuals – it is possible to have a partnership of trusts for example) and is relevant when there is more than one person or family involved in the business. It is not a separate entity for legal or taxation purposes. Each partner is liable for tax at their own applicable rate on their share of the business profits. If the business operated by the partnership should make a loss, each partner will take a share of that loss to be (in most cases) offset against their other income. Each partner must include a capital gain or loss arising from a CGT event happening to their share of a partnership asset (maybe a sale of the business, or admission of a new partner) – if they are an individual or trust they are entitled to a 50 percent discount on that gain.

Company - A company is a separate legal entity governed by the Corporations Act. The 'corporate veil' means that shareholders in a company generally cannot be held responsible for actions of the company.

A company is also a separate entity for tax purposes. It pays tax at 30 percent on any income it derives. Shareholders may receive franking credits for tax paid by the company, attached to their dividends, which they can use to reduce their own income tax liability. Shareholders who pay tax at a rate higher than the company tax rate (30%) will have to pay 'top up' tax. Any losses the company makes remain in the company to be carried forward for use in a later profitable year, and cannot be used to reduce the income of shareholders. Companies are not entitled to the CGT discount that is available to individuals and trusts.

Trust - A trust is a complex legal arrangement whereby a split between the legal and beneficial ownership of an asset occurs. A trustee legally owns property for the benefit of the beneficiaries. A trust is governed by the trust deed. A trust is not a separate legal entity, but is treated as a separate entity for taxation purposes. There are two main types of trust:

- In a discretionary trust (often referred to as a family trust) the trustee has certain discretions, such as when and to whom to distribute income. The beneficiaries of a discretionary trust cannot be said to have any interest in the assets of the trust. The amount a beneficiary receives from a discretionary trust from year to year is up to the trustee.
- A unit trust is a type of trust where a beneficiary's interest in the property of the trust is determined by reference to units. Units are akin to (although not the same as) shares in a company and represent each beneficiary's fixed entitlement to the trust property. The amount a unit holder receives from a unit trust from year to year is governed by their unit holding.

A trust is what's referred to as a 'flow through' vehicle for tax purposes. That means that beneficiaries are taxed on the income of the trust in proportion to income distributions they receive for the year. The trustee pays tax (at the highest marginal rate plus Medicare – 46.5 percent) only if it fails to distribute some or all of the trust income for the year.

Tax benefits, such as franking credits and the CGT discount will typically flow through to beneficiaries or unit holders of a trust. Losses cannot be 'distributed' to beneficiaries (in the way they can be for partnerships), but must remain in the trust to be carried forward until the trust has sufficient income against which to offset them.

*Article provided by Practising Tax Pty Ltd PO Box 6152 Hawthorn VIC 3122
P. 03 9815 2998 | F. 03 8648 6808 | W. www.practisingtax.com.au*

NORTH EASTERN BUSINESS FORUM

On Wednesday May 8th 2013 Duncan Dovico - Accountants and Advisors continued its founding sponsorship of this business forum with this evening held at the Watsonia RSL club.

Hosted by the NEBF Patron Simon Madden, the evening continues to provide a relaxed forum for business people to make new contacts, to socialise and to support a great charity.

The evening's guest speaker was Collingwood AFL captain Nick Maxwell who spoke about the similarities between team sports and business and took us through his AFL journey. In keeping with a key objective of the NEBF, Nick named the Portland branch of the "Make a Wish Foundation" as his charity for the evening, and all entry fees went to that charity. The NEBF is pleased to announce that it raised in excess of \$700 for Nick's nominated charity on the night.

For more details about the NEBF contact Bev Gimson at DD on 1300 883 122 or speak with your DD Accountant and try to get along to the next event.

PROPERTY & TAX SEMINAR

On Wednesday 22nd May 2013 DD was represented by Brad Purvis as Guest Speaker at a Property and Self Managed Super information evening. Hosted by Fletchers Real Estate, Westpac Bank and DD, the presentation covered an update on the local Diamond Valley and surrounding property markets and the bank's current self managed super lending products. Brad then took the guests through an update on the current tax and related matters impacting on Self Managed Super Funds, property and the borrowing rules. For more information on property and tax matters contact Richard Russell.



MEET THE TEAM

Gamini Balasooriya

Taxation Manager
(Ringwood Office)

Married to: Janani (Jenny)

Children: 2 girls (17 & 20)

Sports: Walking club, social golf, social cricket

Other interests: Reading novels, watching movies, listening to music – particularly the "old rock classics" and Travel



Rory Wood

Self Managed
Superannuation Accountant
(Heidelberg Office)

Married to: Asha

Sporting interests: Golf - I am a member of Rosanna GC, and play off a zero handicap.

Do you support an AFL team?

I am a passionate Richmond Supporter. Go Tigers!

Other Interests?

I love my music – in particular electronic/dance music

And? Travel- Asha and I are off to Europe later in the year and I can't wait.



DD EQUINE - AT THE INGLIS SALES

Anna was at the Inglis Great Southern Sale on Wednesday 22nd May 2013 meeting with some of the Inglis team and assisting a client with their breeding selections. The sale showcased some of the markets new up and coming stallions and the weanlings attracted an average of around \$11K, up some 20% on last season with the highest price weanling sold for \$110K. For all of your Equine related tax and accounting requirements contact Anna Beard on 1300 883 122 or email anna.beard@ddvic.com.au.



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