



DUNCAN DOVICO  
Accountants & Advisors

# The BOTTOM Line

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## Racing towards the end of 2012!



With the Melbourne Cup the flavour of the month, we felt it appropriate to provide our readers with our own "Form Guide".

Our "runners" are terms and references often associated with our Business, Individual and our Self Managed Super Fund clients.

Don't pay too much attention to our slant on things but we hope we provoke a laugh or two at the expense of some of our industry jargon and terms....

### FORM GUIDE

#### RACE 1

##### From The Business Stable

**1. Retail Trade** - This runner has had some tough races of late and has been caught wide and often beaten to the post by its big competitor - "the web." Has been known to have the blinkers on at times. Needs to make sure it stays in a quality stable to ensure the punters support continues, even amongst tougher company.

**2. Building and Construction Industry** - Has been boxed in recently and has been running on a dead to slow track - has eased in betting as the competition toughens. Is looking for a new feature race to stretch out in. Keep safe as conditions improve and then look for bold showing.

**3. New Customers** - This runner always requires some extra homework as it lines up for its first start. Check the Sire and the Dam to ensure the pedigree fits. Make sure any bets are well weighted in your

favour. Establish this runner as a stayer and not a bolter, otherwise things may take a big plunge. Keep this runner in quarantine if at all unsure as it could be a ring-in.

**4. The Banks** - The big uncertain runner in the field. When times get tough this runner only wants to mix with the thoroughbreds. Prevailing track conditions mean it is difficult to gather support here for first starters and all untried maidens. If you do find you can support this runner and the feeling is mutual - make sure you stay close to connections so that you will stay in the money.

**5. Trade Receivables** - Can be a problem runner if the blinkers are on and attention is not paid to past form. Requires front running and a crack with the whip if need be, particularly in the run home. Don't ease down on this runner when you get close to the finishing line. You need this runner to be first past the post.

FORM CONTINUED INSIDE...

### IMPORTANT NEWS

**MYOB and the new cloud Software Seminars** - Amanda and the team at DD will be presenting some informative sessions on the new MYOB cloud version "AccountRight Live." Keep your eye out for the seminar details and make sure you reserve your seat.

**Self Managed Superannuation Market Updates** - Brad, George and the SMSF Team will be inviting experts to update and inform our SMSF Trustees and Members about the state of play within our local and international financial markets. These updates provide ongoing education and important information to our SMSF clients and focus on the latest financial market place issues with the opportunity for some Q & A time. Be on the lookout for your personal invitation.

**Below The Bottom Line** - Stay tuned for more from our team. These short and concise updates are a convenient way for the DD team to provide news and views to our clients and connections.

**Building & Construction Clients** - Chris, Michael, Jeremy and the team will be conducting informative sessions for those clients who operate within this industry aimed at updating them on the new reporting requirements introduced recently by the Tax Office. Stay tuned for more details about these sessions.



## RACE 1 CONTINUED

### 6. ATO Audit of Wages and Super -

This runner can all of a sudden lengthen stride and is known to be able to come from behind the pack. It is clearly the swooper in the field. Often will be involved in a protest. Of late has been acting like a bagman looking to clean up in the ring. Do the right thing here with this runners form, no exotics and keep safe. Half Sister to "Audit Protection Insurance" in the individual field below.

## RACE 2

### From the Individuals Stable

**1. Interest Rates** - This runners odds have been fluctuating of late. May well stake a big claim in the feature races in the coming months, and may slip further in the weights. This may be a good sign for the punters and could drive some new found confidence in the stable. From the same connections as "The Banks" above.

**2. The ATO** - The Head Steward. Likes to stay in the money and is always looking for some late mail to clean up the mug punter. Avoid getting involved with this runner or you may find that you are a late scratching.

**3. Capital Gains Tax** - This runner often comes from behind when you are least expecting a run. For some it's untried - worth looking at in the mounting yard before you take the plunge.

**4. Record Keeping** - A very important runner - follow the prescribed form and you should stay in the leading bunch and you're not expected to be out of a place.

**5. Audit Protection Insurance** - A valuable runner. Usually takes some beating even if the Steward fires in

a protest. Look to lock this runner in - win only!

**6. Property Market** - This runner hasn't placed for a while. Will be interesting to see how the form holds up if interest rates get a drop in weights!

## RACE 3

### From the Self Managed Superannuation Fund Stable

**1. Excess Contributions Tax** - This runner doesn't always get a start - when it does its often due to the jockey going over the prescribed weights. Any placing is usually the result of a Steward's protest and penalties can then apply. Full Sister to "New Contribution Limits."

**2. New Contribution Limits** - Watch this runner. Has come down in weights from \$50K to \$25K just back in July 2012, regardless of age of the jockey. Stay close to the form on this runner in case there are any changes in the odds going forward.

**3. Rate of Return** - Poor performer of late. Can't seem to get a clear run on any track. Related to yield and capital growth both who seem to also be out of sorts. Not sure when it will return to form.

**4. Annual Audit** - The track watcher - always running the pencil through the form. Likes to be kept happy, prefers a good track, with minimum fluctuations. Runs a similar race to "The ATO" at times so remain on top of your form and you'll always receive correct weight!

**5. Fund Trustee** - The experienced campaigner. Can dictate the terms of the race. Should always be a front runner, is well held and must stay in the money at all times.

## RIPE FOR THE PICKING

The first weeks of October are some of the most important days on the calendar in many Italian families with no exception at my house..... It's the start of the tomato season. Seeds are sown and later planted for the pending summer months where our tomatoes (if we have managed to resist cutting them up and putting them into sandwiches or salads) are picked and conserved for sugo (tomato sauce).

In late summer we have the annual sauce day - and yes, it's exactly what you think of when you think of a stereotypical



Italian function. It's a day filled with hard work, loud voices and plenty of mess, but also a day full of laughter and banter. Unfortunately, we usually have not managed to resist the home-grown tomatoes over the summer months, and by the time February rolls around, we make our annual trip to the local market and get a trailer-full of tomatoes to top up.

While many families on this day make passata (tomato paste), my family makes pelati (whole peeled tomatoes) for a thicker sauce. We boil the tomatoes, peel off the skin and jar them with a pinch of salt and basil. We then boil the jars, which conserve them, and they can be used for making the most delicious pasta sauce throughout the next 12 months.

It's a day I look forward to every year and would not trade for anything.



Christopher Cicutto CA  
Manager  
Duncan Dovico

# The **BOTTOM** Line

## IT ISN'T CALLED BUSINESS SUCCESSION 'PLANNING' FOR NOTHING

'Business succession planning' - say those words and many small business operators will run for the hills. Like estate and retirement planning, most of us know how important it is to plan for the future, but we can't face actually doing so. It's much easier to put it off to another day.



Business succession planning involves planning for the smooth transition of a business either between:

- Different generations of the same family; or
- Business owners, key employees or other interested parties.

It generally requires input from a range of professional advisors, such as accountants, lawyers, financial planners and possibly others. When family members with different goals, priorities and motivations are involved even a referee may be required!

### Illustration

Consider the case of Verity, who is planning to open a café in the CBD. She is very optimistic about its chances for success and has sought advice regarding the structure she should use to operate the business. While tax minimisation during the operating years is important in making this choice, it is imperative that Verity's succession plans are taken into account.

Say Verity simply wishes to pass the business onto one or more of her children and cease any involvement thereafter (a particularly straight forward succession plan). Her options for achieving this include:

- Direct transfer of business assets to the children
- Commencing to run the business in partnership with the children
- Operating the business through a company or unit trust, and transferring or issuing shares or units to the children
- Operating the business through a discretionary trust

Operating the business through a discretionary trust is a popular choice for succession planning purposes, because it allows the benefit of and/or control over business assets to be passed from generation to generation without actually disposing of those assets and triggering a Capital Gains Tax ("CGT") event. The other options listed above will all trigger CGT (although this may be able to be minimised using the CGT discount and/or small business CGT concessions).

Verity's succession planning goals are likely to be more complex in reality, possibly calling for a more sophisticated structure. For example:

- She may wish to pass control of the business onto her children while retaining access to the profits in order to fund her retirement;
- If she has multiple children, she may wish to provide control of the business to one child while providing an ownership interest in the business to each child equally; and/or
- She may wish to guard against the consequences of one or more of her children getting married and subsequently experiencing a marriage breakdown

The right structure in any of these circumstances can only be determined in consultation with Verity's advisers (and possibly the children themselves), taking into account her particular situation, and her succession planning goals.

So much to think about, but one thing is clear. Planning ahead is the key! No matter how unsavoury the task.

## DEATH, TAXES AND SUPERANNUATION

### Who should read this article?

Estate planning for someone with superannuation investments involves more than just executing a Will. Superannuation does not form part of your estate so you will need to plan separately for its distribution. If you have superannuation investments, careful planning is required to ensure:

- Your superannuation monies are distributed by the trustee of your fund in accordance with your wishes; and
- The after-tax value of the amounts distributed are maximised.



### What is at stake?

A superannuation fund will be liable to pay CGT when it disposes of assets to finance the payment of death benefits. This will often be the case, in the ATO's opinion, even where the deceased member was in receipt of a pension at the time of their death (notwithstanding that income and gains generated from assets used to fund superannuation pensions are tax-exempt in the fund).

This is to be contrasted with the transfer of assets between the deceased and a beneficiary via probate of the deceased's estate. In those circumstances the liability to pay CGT is transferred to the beneficiary, and is effectively deferred until later disposal by the beneficiary.

### Illustration

When John dies, the trustee of John's SMSF arranges for the sale of a fund asset in order to fund the payment of death benefits to John's adult son. The asset was acquired by the fund some years ago for \$100,000, and was sold just after John's death for \$400,000. The fund makes a capital gain of \$300,000, \$200,000 of which is subject to CGT (after applying the 1/3rd CGT discount available to superannuation funds).

If the same asset had instead been held in John's name, and bequeathed to John's son via his Will, there would have been no CGT payable upon transfer of the asset to John's son. John's son will pay CGT on any gain he makes when he disposes of the asset in the future (calculated using a cost base of \$100,000).

### What should you do about it?

The death of a person with superannuation savings potentially triggers two taxing points - tax payable by the fund when it disposes of assets in order to fund the payment of death benefits, and tax payable by the beneficiary on the taxable component of the benefit. But there are significant planning opportunities which, if put in place early enough, can significantly reduce the amount of these imposts. These strategies require a detailed understanding of both the tax law and the superannuation regulations and must be implemented carefully. So consult your adviser for assistance.



## YOU DON'T HAVE TO PAY TAX ON THE SALE OF YOUR HOME – DO YOU?

Most people know that there is no tax levied on the sale of their home. Seems simple right? But what if you rent out part of your home, operate a business from home, or split your time between a city apartment and a beach house (which one is your main home? - because you only get to claim one main residence exemption).



As conceptually straight forward as the main residence exemption is, there are many exceptions and variations which might impact your entitlement. The circumstances in which you might not be entitled to a full exemption include:

- Where you run a business from home
- Where you hold two or more properties and you change your nominated main residence
- Where the property you live in is used partly for commercial purposes (e.g. you live upstairs from a shop)
- Where the size of the land your house is situated on is greater than two hectares
- Where your house has been rented out for a period (can generally be done for at least six years before access to the exemption is lost)
- Where you have subdivided your property in order to sell off the back garden

If you are not entitled to a full exemption you may be liable to pay CGT when you sell your home. Which means it's in your interest to keep track of certain information which might reduce the amount of the gain which is subject to CGT. In these circumstances it is advisable to keep records of the following:

- Bank statements showing interest payments on your mortgage
- Invoices from tradesmen who have performed repairs and maintenance around the house
- Rates and land tax (if applicable) notices
- Records of insurance premiums paid
- Where the house has been rented out for a period - lease agreements and other documentation clearly stating when, and for how long, the property was rented

All of these expenses, or at least a portion of them, can be added to the cost base of the property, which has the effect of reducing the amount of capital gain subject to tax. So it pays to keep your filing in order – quite literally!

### Articles prepared by Practising Tax

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## IMPORTANT TAX OFFICE UPDATE!

### Changes to reporting Taxable payments made for those operating within the building and construction industry.

Are you a business in the building and construction industry that pays contractors for building and construction services? If so, then as previously advised and effective 1 July 2012, you will need to report on the total payments made to each of your contractors who supply building and construction services each year. You can download a handy worksheet from the ATO by going to [www.ato.gov.au/taxablepaymentsreporting](http://www.ato.gov.au/taxablepaymentsreporting). If you operate within this industry we also suggest that you discuss these important changes with your Accountants at DD.

## OUT & ABOUT WITH DD

### OUR DIAMOND VALLEY OFFICE

We have recently secured a new lease at our Diamond Valley Offices located at 8 Chute Street, Diamond Creek. With new prominent signage and minor refurbishment now completed, it's all systems go in the Diamond Valley.

Brad, Amanda, Richard and Andrew are available to meet with clients and consult regularly at this office. Simply call our reception on 1300 883 122 and make a time to meet any one of them at our Diamond Valley offices.



### AMANDA OBTAINS HER MYOB CERTIFIED CONSULTANT STATUS

Amanda Castricum, Chartered Accountant, and Associate Director at DD, successfully completed her MYOB Certified Consultants Course earlier this year. This resulted in Amanda obtaining her Membership as a MYOB Certified Consultant. Amanda has extensive expertise and knowledge in all areas of MYOB accounting software packages, and is available to help should you ever require any support, assistance or training.

MYOB are soon to release their new Cloud based version of their software, AccountRight Live. Amanda will be conducting informative seminars on this new release early in the New Year. Further details to follow, watch our website and look out for Below the Bottom Line youtube productions on this topic.



## OUT & ABOUT WITH DD

### GREAT AUSTRALIAN STORY!

DD successfully hosted another Great Australian Story evening at the Kew Golf Club in July 2012.

We heard the amazing story that is Hidden Garden Sustainable Farms ("HG").

Since presenting at the evening, the HG team has been to Canberra to speak with a number of Government and Opposition members to outline its unique food growing systems, all of which was met with great support. HG is still deep in discussions with Government officials regarding the release of Crown Land which it requires for the development of the Christmas Island project. HG is also in the process of finalising details for the development of a sustainable food project to service isolated mining camps, and will be exploring food aid solutions with World Bank representatives later this year.

For more information and to follow this Australian entrepreneurial story, go to [www.hiddengarden.com.au](http://www.hiddengarden.com.au) or follow them at [www.facebook.com/hiddengardenfarms](https://www.facebook.com/hiddengardenfarms)



## SECRETS OF SICILY

### DD client Enza Centorame introduces her business.

Ever wanted to immerse yourself in the culturally abundant, culinary rich and limitless hospitality of Sicily?

Lose yourself on this extraordinary tour run by a wonderfully energetic and passionate native of the Island. A cancer survivor with an amazing zest for life and living, Enza has engaged the imagination of her tour groups by sharing access to exclusive locations, culinary lessons by renowned chefs and historically significant sights. When she is not delighting her tour groups overseas, Enza is usually seen conducting cooking and language classes at Surrey Hills Neighbourhood Centre.

Enza operates and personally runs these private and tailored 15 day tours of Sicily for groups of 10-12. The tours are designed for well-travelled individuals and to date have been successfully booked out by corporate, retired or semi-retired individuals.

The Italian island of Sicily has had more than its fair share of invasions, conquerors and colonisers and as such has a rich and historically diverse architectural and cultural presence.

Tour guests will enjoy the luxuries of 4 or 5 star quality accommodation, breakfasts and dinners as well as transport in an air-conditioned bus.

During free time on the island, tour members can enjoy shopping and recreation in the middle of the day at which time most of the guests have lunch at a place of their choice.

Each tour can be tailored to meet the needs and desires of that group and as such some of our tour groups have delighted in hands on cooking classes where they have had the pleasure of enjoying their own meal. Other groups have elected to attend operas held in historical amphitheatres. The adventures are plentiful.

If you are interested in learning more about the tour, Enza can be contacted on mobile 0419 116 974 or email [enza@savouringsicily.com](mailto:enza@savouringsicily.com)

ARRIVEDERCI

### Enza Centorame

Savouring Sicily  
Tour Coordinator

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