

GNS GROUP

Profit Builder



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2011 Federal Budget Overview

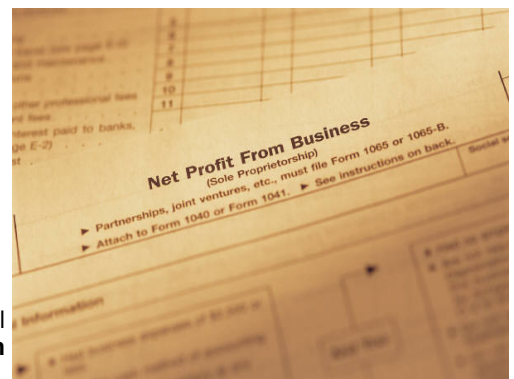
For the first time in 8 years, there were no tax cuts announced in the Budget for Australians. Instead there will be tax increases and a reduction in benefits.

Key Budget Announcements and Changes are:

- ◆ The new Flood Levy introduced for 2011/12 of 0.5% for those earning over \$50,000pa and an additional 1.0% for those earning over \$100,000pa.
- ◆ Reduction in the taxation benefits of a Family Trust when children under 18 are beneficiaries.
- ◆ The phasing out of the Dependent Spouse Rebate for spouses under age 40.
- ◆ The Net Medical Expense Rebate, which provides you with a 20% refund on out of pocket medical costs (such as pharmaceuticals, dental, optical, physio, hospital etc) was increased to a \$2,000 threshold.
- ◆ Family Tax Benefit Payments will be cut for families earning more than \$150,000pa.
- ◆ The Government Superannuation Co-Contribution will remain at a maximum of \$1,000 or 100% for personal contributions to super. The Government contribution reduces once your income exceeds \$31,920 and stops when you exceeds \$61,920 (non indexed amounts).
- ◆ The discount on voluntary upfront HECS payments will be cut from 20% to 10% from Jan 2012.
- ◆ The Entrepreneur Tax Offset, available to micro businesses, will be scrapped from 1 July 2012.
- ◆ From 2012/13, small businesses will be able to write off the first \$5000 spent on a new car.
- ◆ From 2011/12, Individual taxpayers will receive a 50% discount on the tax payable on the first \$1000 of bank interest earned.
- ◆ Small Businesses will be allowed to immediately write off assets purchased costing less than \$5,000 from 2012-13 instead of depreciating them. All other assets will be depreciated at 30% as is the current practice.
- ◆ There will be some minor relieve from the harsh Excessive Contributions Tax paid when taxpayers accidentally put too much into their Super Fund.
- ◆ A 25% reduction in the minimum pension draw downs for 2011/12. Compared to the current 50% reduction.
- ◆ Directors will become personally liable for Superannuation debts for their employees in the event of business failure.
- ◆ The Statutory Formula will be overhauled and simplified for Motor Vehicles subject to Fringe Benefits Tax.

Please read on for more detailed discussion on some of these new measures.

If you would like to find out more about the Federal Budget & how it impacts you, please contact **Alan Medlin** at our office for more information.





Changes at GNS

Many clients may have been unaware that **Liz Nardella** was pregnant, but we are excited to announce that Liz gave birth to a beautiful baby girl—**Sienna Grace** at the start of June.

We are sure that first child Sienna, will be spoiled rotten by Liz and Dale—*Congratulations!*

Liz will be settling into motherhood over the next few months and we are looking forward to Liz being back in the GNS office come Christmas time.

With Liz planning to be away for only 6 months maternity leave, it can often be difficult to find a suitably experienced Accountant for such a short amount of time.

Fortunately, we didn't need to look too far. **Kym Sinclair** (Anthony's wife) has joined the GNS team to replace Liz.

Kym comes to GNS after gaining more than 10 years experience as a CPA Accountant in public practice. During this time, Kym's main roles have been working with small and medium sized businesses to manage their tax compliance matters and will be able to put these skills to good use with our GNS clients.

Federal Budget Discussion

In what was proposed to be a 'tough' budget, there were few announcements which had not already been leaked and many commentators have suggested that the Government missed the opportunity to make some long term changes to the middle income welfare benefits currently enjoyed by many Australians.

Most of the newspaper debate since the Budget has focused on whether \$150,000 as a family income means you are rich and living the high life.

We know from talking to our clients, many working couples can & do reach a combined income of \$150,000, and would not consider themselves to be well off as they struggle with rising interest rates and living costs.

\$150,000 has become an important number when it comes to: **Family Tax Benefits**, the **Flood Levy**, the 30% **Private Health Insurance Rebate**, **Baby Bonus** and perhaps the future **Carbon Tax**.

But when it comes to welfare benefits, there has to be a cut off point somewhere. Only 15% of Australian families earn in excess of \$150,000. So perhaps the debate should not be focusing on whether \$150,000 is rich, but rather it should be that 85% of the population will remain eligible for welfare benefits.

Freezing Family Tax Benefit thresholds will mean that more families drop out of the system as their family income rises.

Private Health Insurance Rebate

The current 30% Private Health Insurance rebate will be reduced in 2012 or scrapped for some Australians under proposed income means testing by the Government. The Opposition and Independents are fighting this proposal on the basis that removing the Private Health Insurance rebate will encourage Australians to drop their PH Insurance and place further pressure on the Public System.

Currently, 30% of all PH Insurance Premiums are funded by the Government. The proposal would see this reduce to 20% if you earn more than \$80,000 as a single or \$160,000 as a couple, and reduce to 0% if your family income exceeds \$248,000.

But as an added kick, if you drop your PH Insurance cover, you may be required to pay an additional 1% tax as a penalty, which will amount to \$1000+ in additional tax, plus permanently higher Insurance premiums should you take out PH Insurance at a later age.



Trusts and Children

From 1 July 2011, children under age 18 will no longer be eligible to use the Low Income Rebate for un-earned income.

Currently, children under age 18 can receive a Family Trust distribution of \$3,333 tax free. From 1 July, this will become \$416.

The Government does not like Family Trusts. They believe they are used by wealthy investors and business owners to avoid tax.

There is no denying that Family Trusts are a legitimate way to protect assets, facilitate intergenerational asset transfer and to minimise the tax payable, not just for the wealthy, but for your average property investor or small business owner.

In fact, when income levels become quite high a Family Trust may not be the most suitable entity to recommend to a client as a tax rate of 46.5% may apply. This is where a Company may be more suitable.

So to say that Trusts are exploited by the rich & famous is not quite right. Most Trusts are controlled by a typical small business, where mum and dad are able to make a \$3k distribution to their kids, tax free. In this situation, we are talking about a maximum tax saving of less than \$1,500 per child, hardly the realm of people looking to dodge tax. Instead, this new measure will affect the after tax income of many local small business owners looking to cover their ever increasing cost of living and grow their business.

How to attract and keep the best employees

GNS Group have partnered with one of our clients, **Hockley and McClelland**, to offer our clients Work Place Relations and Human Resource solutions. Whether you have 1 or 100 staff, understanding and being compliant with all of the latest HR legislation will not only keep you out of trouble, but also give you the framework to grow your business and look after your staff.

Attracting quality employees isn't rocket science and it's no secret that the cost of hiring new people, as well as losing people with corporate knowledge, is a very costly exercise. But if you don't know what it is that makes them stay or sends them packing then no amount of workplace culture or career opportunities are going to make an ounce of difference

The workforce is a transient place.

Gone are the days of employee loyalty and the 'lifetime staff member' awards. In the 21st century people are faced with an abundance of choice and opportunities in their careers, they also realise that job security is no longer guaranteed, and instead employment priorities are now focussed around rewards and overall happiness.

If you want to keep the best of the best, the quality employees who are highly skilled, productive and committed to working for you, then you have to stand out.

This is an ongoing relationship and if you nurture and value it, your employee will do more than just get the work done, they will help you **build your brand and attract more clients** as well. Yes, it's true, how you care for your employees directly impacts your bottom line!

Now here is the crux of it: People stay because they are happy and feel valued, people leave because they don't. So here are a few things you can do to help you attract and keep your best employees:

1. **Recognise their work and contribution to your company.** A simple "thank you" or "great job" go a long way, but to go the extra mile reward your staff with gift cards, vouchers or something personal you know they'll like.
2. **Listen to them!** People often just need to be heard, whether it's a problem or a new idea, encourage your staff to speak up. Listening to your people will empower them, and in turn they will *want* to perform in the workplace.
3. **Create opportunities for growth,** development and new experiences such as training courses or rotations into other areas. Adding variety prevents boredom. Bored people leave, entertained people stay. Encourage and support staff development and help others become leaders in their own right.
4. **Show me the Perks!** Create or find other perks that show your employee you care about 'them' and not just the work they do for you. Gym memberships, salary packaging options, social events, flexible working hours or paid parking, all act in your favour when the "do I stay or do I go?" thought process takes place.



Hockley and McClelland are offering all GNS clients a **Free HR Health Check**, which will help you discover some simple and effective HR Processes that can support the growth and success of your business.

To claim your FREE HR Health Check contact Hockley and McClelland today.

Ph: 9497 4055 or email MARKM@HOCKLEYANDMCLELLAND.COM.AU and "Claim your Free HR Health Check."

GNS Tax Checklists

To help you gather all of your documents together for tax time, we have a series of checklists & worksheets available on our website: www.gnsgroup.com.au

[2010/11 Individual Tax and Business Worksheets - Checklists](#) can be printed or downloaded from the GNS Website under the "Our Difference" lift door.

Please use these to assist in collating the relevant information for your 2010/11 tax returns.

GNS Footy Tipping Update

Well the 2011 season has reached the half way mark, and there has been a new surprise each week. The Saints and Dogs have dropped off, Carlton & West Coast big improvers, Collingwood & Geelong keep on winning.

Weekly upsets have kept all our Tippers on their toes and we have a very close leader board. Karin Harrop, Mark Hockley and Cathy Sinclair are in the lead on 63, closely followed by Graham Harrop, Kaz Lee and Simon Tallack — so it's very much up for grabs.

Just a reminder that your tips can be made in advance if you will be away, and can be placed via our web site — www.gnsgroup.com.au, click on the 'Information Desk' to log in.

Best of Luck for everyone.

Client's Corner

In this edition, we have a profile on **Hedge & Stone Landscaping**.

Simon Tallack & Nick Carroll from Hedge and Stone Landscaping create quality residential landscapes, that aim to reflect the needs and lifestyles of its clients.

From initial consultation, through design, construction and to completion, their friendly and professional approach is something they strive to maintain at all times.

The Hedge and Stone team possess a broad range of landscaping skills, to make sure your project is managed professionally and to the highest standard, ensuring their clients' expectations are exceeded and delivered, on time and on budget.

With their services including:

Paving, Decking, Irrigation, Stonework, Concreting, Water Features, Turf (both synthetic and natural) and of course Planting, there is not much that Simon and Nick can't do.

So if you too would like to enjoy the lifestyle benefits of a fully Landscaped garden this Spring, now is the time to call Simon and Nick for a quote.

Simon Tallack - 0418 563 938
simon@hedgeandstone.com.au

Nick Carroll - 0430 791 480
nick@hedgeandstone.com.au



PAYG Payment Summaries

It's that time of the year again when Employers start to prepare their PAYG Payment Summaries.

Last year, a few new boxes appeared on the forms, which caused a lot of grief, not only for our clients, but also for some very large businesses — who simply got it wrong.



What is a Reportable Employer Superannuation Contribution (RESC)?

An RESC is not the total Superannuation paid, it is only the amount of Superannuation which **exceeds** the compulsory 9% Super.

This could include any Salary Sacrifice or Super Top Ups by self employed business owners.

EG – Mary earns \$40,000 a year + \$3,600 or 9% in compulsory superannuation. Mary decides to reduce her income and contribute an additional \$10,000 to super as a Salary Sacrifice contribution.

Mary's 10/11 - PAYG Payment Summary will show: **\$30,000 Gross Wages**

\$4,000 Tax Deducted

\$10,000 Reportable Employer Super Contributions

(the 9% compulsory super is not shown, only the Salary Sacrifice amount)

Dates for your Diary

30/06/11 – End of the 2010/11 Financial Year

30/06/11 – Super contribution payments to be cleared by today to claim a tax deduction

14/07/11 – Due date for PAYG Payment Summaries to be provided to Employees

28/07/11 – Last day for making June Quarter Super Contributions without penalty

10/08/11 – June 2011 Qtr BAS/Instalment Activity Statement payment & lodgement due

14/08/11 – Due date for submitting PAYG Payment Summary Reconciliation to the ATO

21/08/11 – July 2011 Monthly PAYG Withholding Tax payments & Lodgement due

21/09/11 – August 2011 Monthly PAYG Withholding Tax payments & Lodgement due

