

GNS Profit Builder

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MEMBER

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Federal Budget 2007/2008 Summary of Key Initiatives

Improving the infrastructure that supports education, training and families were the underlying themes of the 2007/2008 Federal budget. Plus of course the additional economic incentive and political sweetener of two successive income tax cuts. A summary of the key budget initiatives is provided below.

Individual income tax cuts will take effect from 1st July 2007 with the 30% rate threshold increasing from \$25,001 to \$30,001. In effect this means that those people currently earning \$60,000 in the 2007/08 year will have an additional \$14.42 in their take home pay each week. Threshold rates will also change in the year 2008/09 with increases to the 40% and 45% threshold levels. A summary of these changes is provided in the following table.

2006/07		2007/08		2008/09	
Income Threshold \$	Tax Rate %	Income Threshold \$	Tax Rate %	Income Threshold \$	Tax Rate %
0 - 6,000	0	0 - 6,000	0	0 - 6,000	0
6,001 - 25,000	15	6,001 - 30,000	15	6,001 - 30,000	15
25,001 - 75,000	30	30,001 - 75,000	30	30,001 - 80,000	30
75,001 - 150,000	40	75,001 - 150,000	40	80,001 - 180,000	40
150,000+	45	150,000+	45	180,000+	45

By the 2008/2009 financial year, a taxpayer will need to earn \$134,000 to pay an average tax rate of 30%.

Other tax cuts include:

Senior Australians who receive the senior Australians tax offset will be able to have a taxable income of \$25,867 (increased \$1,000) for singles and \$43,360 (increased \$2,000) for couples.

The **Low Income Tax Offset** will increase from \$600 to \$750 and will begin to phase out from \$30,000. Tax payers eligible for the full LITO will not pay tax until their annual income exceeds \$11,000 (up from \$10,000).

The **Medicare Low Income Thresholds** will increase to \$16,740 for individuals and \$28,247 for families with effect from 1st July 2006. The additional amount for each dependent child or student will also be increased to \$2,594.

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Age Pension and Complying Income Streams

In September this year, the rules in relation to Centrelink, and in particular, Age Pension entitlements, will change. Besides the reduction in the taper rate for the Asset Test, from \$3.00 to \$1.50 over the applicable threshold, the current 50% Asset Test Exemption for Complying Pensions will be abolished from 20 September 2007. Any Complying Pensions commenced after 20 September 2007 will be fully assessable as an asset for Centrelink purposes, so now is the time to act to lock in your Age Pension Entitlements.

Depending on your circumstances, placing some monies into a Complying Pension prior to 20 September 2007, will enable you to receive a larger Government Age Pension or perhaps a pension for the first time.

Example: Anne, a single homeowner aged 64, with \$250,000 in shares & \$350,000 cash at bank.

Total Financial Assets \$600,000

Scenario 1

Retains Investments

Taxable Income -

Shares/Dividends = \$12,500

Interest = \$17,500

Centrelink Deemed Income = \$32,232

Centrelink Deemed Assets = \$600,000

Age Pension Entitlement = \$0

Scenario 2

Complying Pension of \$450,000 & \$150,000 cash at bank

Taxable Income -

Shares/Dividends = \$0

Interest = \$7,500

Centrelink Deemed Income = \$18,266

Centrelink Deemed Assets = \$375,000

Age Pension Entitlement = \$5,326

The real advantage in commencing a Complying Income stream is to obtain at least \$1 of Age Pension income, this will entitle you to receive a Pensioner card & cheaper pharmaceuticals & the utility concessions.

The major draw back to Complying Pensions is that you can only receive regular pension payments and will lose your access to a lump sum of money. As always, it is important that you receive personal advice as to the impact of a Complying Pension on your situation. But remember that this strategy is only available for the next few months, so make the time to contact Anthony, our Financial Advisor, to work through your personal scenario.

ATO's 2007 Audit Targets for Individuals.....

The ATO has recently reported that in 2004-05, around 7 million individual taxpayers collectively claimed \$11.5 billion in deductions for work-related expenses, and both the number and value of such claims increased from the previous income year. The ATO is particularly concerned about work related expense claims for cars, travel, uniform, laundry and self education. As a result, for the 2007 income tax year, the ATO will closely scrutinize work-related expense claims to identify errors in amounts claimed as well as claims that are actually false or cannot be substantiated.

The ATO intends to compare an employee's work-related expense claims against the amount of salary and wages income declared. High or excessive claims in relation to reported salary and wages may attract a request for substantiation by the ATO. Claims that are outside the regular pattern for a particular occupation or industry may also be subject to further ATO review.

The ATO will also continue to target claims for rental properties. Currently around 90% of rental property cases reviewed by the ATO in the past have required adjustment resulting in \$6.9 million in additional revenue to the ATO.

If you intend claiming deductions on your 2007 tax return please ensure that these deductions are real and can be substantiated should they be the subject of further ATO review.

Changes To On Hold Messages

After many years of using the services of a commercial messages on hold system, we've decided to replace this with a more personalized system that we are currently in the throes of developing with Michael Allen (Bruce's son) whom is the creative Director of The Jingle Company (www.thejinglecompany.com.au). Whilst we don't intend having a GNS jingle, we do believe that we can offer more value to customers by using recorded interviews with our customers that provide information on their businesses and business experiences, comment on topical tax, financial planning and business issues, profiles on members of the GNS team and detail of legislative changes that may affect you, our customers.

We'd appreciate any feedback on the new system if you do encounter being put on hold whilst calling the office at any stage. If you'd like your business featured on the system just let Gavin or Anthony know.

Federal Budget— Continued from page 1

From the 1st of July 2006 the **Medicare low income threshold for pensioners below age pension age** will increase to \$21,637.

The **Dependent Spouse Rebate** will also increase to \$2,100 (up from \$1,655) from 1st July 2007. The change will enable the dependent spouse to earn separate net income up to \$8,681 before the rebate completely phases out.

GST Compliance Changes

From the 1st of July 2007, businesses with annual turnover of less than \$75,000 will no longer be required to register for GST. The GST registration threshold for non-profit bodies will be increased to \$150,000. Where these entities do register they will have the option to remit GST annually.

Hand in hand with the GST threshold change and the ability to remit GST annually for qualifying entities, the PAYG payment and reporting requirements will change for entities voluntarily registered for GST. From 1st July 2008, taxpayers who voluntarily register for GST, and who report and pay GST on an annual basis, will be able to meet their PAYG obligations on an annual basis, subject to the other eligibility tests.

From 1st July 2007, purchases by businesses valued at \$75 or less (not including GST) will no longer require an approved tax invoice to claim an input tax credit (up from the current threshold of \$50). For purchases of \$75 or less, business will be able to rely on the same record keeping for GST and income tax purposes.

Superannuation

For those taxpayers who took advantage of the super co-contribution in the 2005/2006 income tax year, the Government will **double eligible co-contributions** made by taxpayers. The measure is a one off payment.

For further information on these and other budget initiatives go to www.treasurer.gov.au

2007/2008 Victorian State Budget

The 2007/2008 Victorian State budget has some good news for business with cuts to land tax, payroll tax, motor vehicle duty and reductions in Workcover premiums. Key initiatives of the State Budget included:

Land Tax

- The tax free threshold on the unimproved value of land will increase to \$225,000 (up from \$200,000). However the tax free threshold for land held in a trust subject to surcharge rates remains at \$20,000.
- The top rate of land tax applicable for landholdings over \$2.7 million will reduce to 2.5% in 2008 (down from 3.0%).
- Further reductions in marginal tax rates will apply to landholdings of \$900,000 or greater.
- Special land tax will be abolished for primary production land located within the metropolitan area.
- Capping of land tax increases, which applied in 2006 and 2007, will not apply in 2008.

Payroll Tax

- The rate reduction to 5.05% was previously brought forward by 6 months to the 1st of January 2007. The rate will further decrease to 5.0% as of 1st January 2008.

Workcover

- The amount of Workcover premiums payable by businesses will fall by an average of 10% from the 1st of July 2007. These reductions will not apply to businesses whom have a poor Workcover claims history. This is the fourth year in a row that similar reductions to Workcover premiums have been announced.

Stamp Duty

- The rate of stamp duty on new passenger vehicles valued between \$35,000 and \$57,009 has been cut to 2.5%.

BRW Fastest Growing Start Up—Gas Pex Australia

Congratulations to Gas Pex Australia whom were recently named Australia's fastest growing start up company 2007 by the Business Review Weekly.

To qualify for the BRW list, companies must have commenced trading after June 30,2002, must have reported at least 2 years financial revenue, must have revenue of more than \$500,000 in 2005/06, must have more than one main customer and must be Australian. Gas Pex qualified on all entry criteria and recorded a massive 13,453% growth in 2005/06 compared with the 2004/05 revenue levels. The growth of the company continues at a fast pace with 2006/07 showing another significant increase over 2005/06 levels.

The story of Gas Pex is an interesting one that commenced about 3 years ago with the originators of the idea coming to GNS Group for help in securing distribution rights for a similar product that was on the market at the time. The distribution rights for that product were not secured and this led to the guys working with GNS Group to secure an alternate source for a comparable system. Research into alternate sources led us to China where a reputable source was identified and the first orders for product were placed.

Since that time GNS Group has partnered the Gas Pex Australia team and assisted in preparing business plans, budgets and cash flow forecasts, securing exclusive rights to the product from the manufacturer for the Australian market, obtaining product approvals from Standards Australia, securing the needed finance to fund working capital requirements, developing stock forecasting and delivery schedules, developing sales and presentation materials, developing key performance indicators that allow the company to determine how well it is servicing its customers and attending monthly board meetings to review progress and update business strategies. GNS Group has also built a significant shareholding in the company with Gavin Shaw appointed a Director to Gas Pex in early 2007.

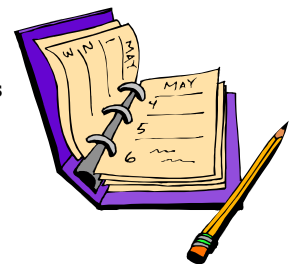
Gas Pex Australia today is a National company with office and warehouse operations in Victoria, NSW and Queensland. The company operates through a distributor in WA. The company has come a long way since making its first sale in June 2005—less than two years ago.

The path to success has not been easy with fierce competition from competitors involving trade mark and patent challenges, slur campaigns on the quality of the product, constant battles to grow distribution outlets and securing funding levels that would allow the company to meet market demand for its system.

Congratulations to Andrew Comans, Managing Director of Gas Pex Australia, and his team on a great effort on topping the BRW fastest Growing Start Up list.

Some important dates for your diary....

- 28/05/07 - FBT annual return—due date for lodgement and payment**
- 21/06/07 - Due date for lodgement and payment of May 2007 monthly activity statement**
- 30/06/07 - Last chance to take advantage of superannuation concessions and tax deductions**
- 30/06/07 - End of Financial Year**
- 28/07/07 - Due date for lodgement and payment of June quarter BAS if client prepared**
- 28/07/07 - Due date for lodgement and payment of June quarter superannuation payments**
- 14/08/07 - Due date for lodgement and payment of June quarter BAS if GNS Group prepared**



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