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**JUNE 2006**



**BUSINESS STRUCTURE - COMPANIES**

Registering your company is Australia wide. The use of the company name will negate the need to register the name as a business name (on the basis that the full and exact company name is always used).

A private company must pay an ASIC annual review fee of \$212 each year. In addition to this, there are also accounting fees and setup costs.

The main advantage of an incorporated company is that it has limited liability. Generally, a company may only be forced to pay creditors up to the extent of its own assets and capital, plus any moneys unpaid on its shares.

The company will be a separate legal entity or 'person,' with it being separate from its owners (shareholders) and

Assuming the directors have acted honestly and have not given personal guarantees for company debts or obligations, then the personal assets of the directors and shareholders of the company will not be within reach and thus will be protected from the company creditors and law suits.

It is common practice to have the business structure of a company with the main worker as the sole director. As noted above, generally the director's personal assets are not exposed if the company is sued. However, to be extra safe given recent directors liability for work cover accidents, it is advisable to move personal assets like the family home into the partners name. Even if somehow the director is made liable and sued in relation to the business

which is operated as a company, Business Law does not allow 'jumping across' the marital barrier.

Individuals are taxed at the normal marginal rates of tax, the highest rate being 46.5%. (inc Medicare) Companies are taxed at a flat rate of 30%. This does not mean companies will always pay less tax, individuals are taxed on a sliding scale of tax and have the first \$6,000 tax free as opposed to a company paying tax on its first \$1 earned.

There may be tax savings if the money is left in the company. If the profits or proceeds are withdrawn from the company and paid to an individual then they will be income to the individual in the form of either wages, directors fees or dividends.

**FEDERAL BUDGET 2006/2007**

The announced tax cuts of \$6.385 billion are to be shared amongst all taxpayers.

As of July 2006 the threshold amount at which the highest tax rate comes into effect will be increased to \$150,000. This measure, in conjunction with a 2% drop in marginal tax rates for those earning \$75,000 or more will assist the high end earners.

The budget also provides tax relief at the low income end by increasing the low income tax

offset and senior Australians tax offset and increasing the income limits that apply for other offsets. (Inc Medicare)

0 - \$6,000	0%
\$6,001 - \$25,000	16.5%
\$25,001 - \$75,000	31.5%
\$75,001 - \$150,000	41.5%
\$150,001 +	46.5%

Students that cease full-time study have also been taken into consideration. The Government has removed the part year tax-free threshold.

This gives all resident taxpayers who cease full time education for the first time the ability to claim the full \$6,000 tax free threshold.

Families receiving Family Tax Benefits will also benefit. From July 2006 the amount a family can earn before their FTB Part A is reduced will increase to \$40,000, (currently \$33,361). In addition the large family supplement will be paid to families with 3 or more children (currently being paid to families with 4 or more children).



## MONTHLY TAX TIP

### SELF EDUCATION EXPENSES

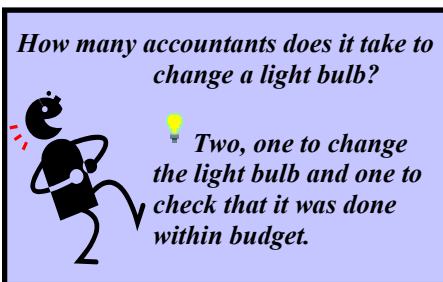
You can claim a deduction for courses undertaken at an educational institution or for attending work related seminars, conferences, learning and study tours providing you can demonstrate that there is a direct relationship between the self education activity being undertaken and your current work activities.

You must be able to show that:

- The expense was incurred whilst you were working;
- The educational activities are relevant to how you derive your assessable income;
- The activity will enable you to maintain or improve your skills or knowledge necessary to carry out your income earning activities;

- The activity is likely to lead to an increase in the income you are currently earning - not assist you in getting a better job.

If the prescribed course of education is being undertaken at school or university or another place of education, it will be necessary to deduct the first \$250 before claiming. However, that \$250 can be deducted first from any non-deductible private expenditure such as lunches and travel.



### SUBSTANTIATION OF TRAVEL EXPENSES

There are special rules for trips overseas and within Australia if you are away for more than 5 nights.

You will need to keep receipts and other travel documents that prove your travel expenses (including meals and accommodation.) A travel diary is necessary to show business activities. The diary should include details of:

- Where the activity took place
- The nature of the activity
- The date of the activity

Travel expenses claimed by employees do not have to be substantiated with receipts if an allowance is received and the claim does not exceed the reasonable travel allowance figures given by the ATO.

## SUPERANNUATION CO-CONTRIBUTIONS

**A risk – free 150% return on your money from the Australian Government!**

Be quick.....there are only a few weeks left to take advantage of this Government giveaway for the 2006 tax year!

For those that are eligible and make personal contributions to their superfund, the Government will match your



contribution with a co-contribution up to certain limits. As an added bonus, the co-contribution is not taxed in the superfund. This is a great way to save a bit more for your retirement.

For taxpayers with a total income (assessable income plus fringe benefits) of less than \$28,000, the Government will co-contribute \$1.50 for every \$1 of personal superannuation contributions to a maximum of \$1,500 each year. The co-contribution is reduced by 5c for every dollar of total income over \$28,000, with it

being phased out at an income of \$58,000.

To be eligible, you must

- \* Contribute to a complying superfund.
- \* Lodge an income tax return.
- \* Be less than 71 years old.

You do not need to apply for the co-contribution. The ATO will use information from your tax return and superannuation funds and the co-contribution will be automatically deposited into your superannuation account.

## YOU ARE INVITED!

**Alan Ralph and staff at RJ Sanderson & Associates Pty Ltd invite you to join us at the Official Anniversary Celebration of our MT WAVERLEY Office**

Date: 29/06/2006  
Time: 5.00PM TO 6.30PM  
Ground Floor 8, The Highway  
Mt Waverley

RSVP - Alan 9888 3811  
alan@rjsanderson.com.au



**Kirstie, Roy and staff at RJ Sanderson & Associates Pty Ltd invite you to join us at the Official Opening of our new BERWICK Office**

Date: 28/06/2006  
Time: 5.00PM TO 6.30PM  
Shop 12, 215 Parkhill Drive  
Berwick

RSVP - Lynne 9794 0010  
lynne@rjsanderson.com.au

## WHAT IF YOU HAVE AN ATO DEBT?

If you have an accumulating debt with the ATO from GST, PAYG or Taxation, you need to communicate with the ATO and seek a repayment program. Those who get in the most difficulty with the ATO are those who deny there is a problem, until the ATO take sterner action .... by then it can often be too late.



Important: The contents of this newsletter is not advice. They are only general comments. At the time of publication all information was correct however changes in legislation can occur quickly. Clients should not act solely on the contents of this newsletter, we recommend you seek formal advice from our knowledgeable accountants at R J Sanderson & Associates on (03) 9794 0010.