



The Square Orange

July 2006

Amanda Moore - our new Director

We are pleased to announce that as of 1 July 2006, Amanda Moore has joined us as a Director of OTS Management.

Amanda joined our predecessor firm of King & Oh in 1995.

Before then she received her Bachelor of Business degree from Edith Cowan University with a double major in 1993.

Amanda first started work in commerce as a Business Analyst before joining King & Oh. She qualified as a Chartered Accountant in 1997 and then progressed through the ranks becoming a Manager in 1999, then became a Senior Manager with her own portfolio of clients in 2002.



In 2004, when Teik Oh left King & Oh to start OTS Management, Amanda, Teik's most loyal lieutenant also left King & Oh to become Senior Manager (Tax and Accounting) for OTS Management.

Over the last two years in that role, apart from looking after her own

portfolio of clients and assisting Teik with his, Amanda was in charge of the company's quality control procedures in the preparation of accounts and tax compliance work.

Over the years. Amanda has developed her own loyal clients and has developed an expertise in the medical, dental and legal professions, as well as in the mining engineering and not-for-profit industries.

Amanda is also our Fringe Benefits Tax and MYOB expert.

We look forward to a long and healthy career for Amanda in the company.

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Special points of interest:

- ♦ *Tax Diary on page 3*
- ♦ *For your interest, this page has an article on how we do our work and why we appear to hound you for information*
- ♦ *Giving back - Indigenous Stock Exchange in The Juice (Page 4)*

How we do your work

It is the start of a new financial year and many of our clients will soon be thinking of making appointments with us to discuss their "compliance" work.

We thought it might be useful to outline our work flow so that you can see what happens to your work after you leave it with us.

As soon as your work arrives, we list it on our Work In Progress system and estimate the time we will need to complete it.

A Manager and an Accountant is assigned to it.

Every week we schedule work for all our accountants to fit in about 40 hours work a week. Depending on when the work was brought in and other priorities (such as external deadlines) each client's work is prioritised and scheduled.

When the work starts, the accountant is briefed by a Manager or Director to ensure that recent issues are taken into

account, then the work starts. The accountant uses our Quality Control Procedures to prepare the accounts, and, if all goes well, our senior people review the job at the end.

However sometimes delays occur. For example, there may be missing information or queries that arise out of doing the work. It is at this point that we have to approach you, sometimes appearing as if we are harassing you.

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How we do your work (Continued from Page 1)

As you can imagine, we usually have a long line of clients who have brought in their work and wanting it back reasonably quickly.

When we schedule the work, we do leave some “slack” for unexpected delays, but if it takes some length of time to receive answers to queries, our staff cannot stay idle and therefore move on to the next job in line.

In this way, as business people like you, we ensure that our “production line” is fully utilised.

For that reason when we require missing information we appear to harass you for it so that your work can continue without break in the scheduled “slack” for the job and does not get overtaken by the next in line.

Unfortunately, this happens sometimes if there are lengthy delays in getting information.

At other times a legal or technical difficulty requires substantive research. This often takes time as we

may need to consult other experts. We need to ensure that the final result stands up to Tax Office scrutiny.

Once the job is completed, the accountant has the job reviewed by a manager who checks for accuracy and completeness. The job is then reviewed by a Director who ensures that every look “from outside the square” is taken to ensure the client has received all the “tricks and traps” available.

Home Loan Interest Deduction Denied

In a recent decision, the Administrative Appeals Tribunal (AAT) concluded that interest deductions claimed by a taxpayer for borrowings to invest in a unit trust to construct a family home were not deductible.

In this case, the taxpayer purchased a parcel of land and transferred it to a personal unit trust. The unit trust entered into a contract to erect a house on the land.

On transfer of title, the taxpayer issued units in the trust and drew

“Not a necessary connection between interest payments and income”

down on the loan funds to make payments under the building contract.

The taxpayer claimed a deduction for the interest on the loan but the

Commissioner disallowed the deduction. The AAT concluded that there was not the necessary connection between the interest payments and the unit trust producing assessable income.

The AAT also concluded that this arrangement will attract the anti-avoidance rules under Part IVA, as the sole or dominant purpose of the arrangement was to obtain a tax benefit.

Your Home - Not always CGT exempt

A person’s main residence will generally be exempt from CGT upon disposal.

A Tax Office fact sheet indicates that, in certain circumstances, the full exemption may not apply and only a partial main residence exemption may be available. This will

occur when the taxpayer’s partner and/or dependants have separate homes, part of the property has been used to produce assessable income, or the land area is more than two hectares.

As a general rule, a person is only entitled to the exemption on one

property for any particular period. However, where a person purchases a new home before disposing of an old one, both dwellings may be treated as the person’s main residence for up to six months.

Common errors on FBT Returns

Following the lodgement deadline for FBT returns, several common errors have been noted, including

- commercial vehicle usage;
- car parking benefits and benefit threshold amounts;
- the ‘minor exemption’ and ‘consumption on business premises exemption’ should

not be applied to meal entertainment expenses using the 50/50 or 12-week method;

- FBT-exempt status only applies to a laptop where the purchase is a package deal;
- GST-inclusive values should be used when calculating FBT;

- FBT returns and payment summary matching; and
- Rebateable employees need to take extra care to ensure data is correctly disclosed and reviewed.

TIP: Consider post-lodgment reviews to make amendments where necessary.

Transition to Retirement Pensions

On 9 May 2006, the Assistant Commissioner of Taxation tabled a response to the Senate on questions about a statement made by the Commissioner on 17 November 2005. The Commissioner had advised that the gen-



Transition to retirement contrived?

eral anti-avoidance provisions would not apply to taxpayers transitioning to a retirement pension and making salary sacrifice contributions to their superannuation fund, but. Part IVA might apply

where the actions of taxpayers seemed contrived or artificial.

The Assistant Commissioner indicated that the Commissioner did not have a particular arrangement in mind where Part IVA might apply, and clarified that it would not be possible to provide a blanket statement on salary sacrifice arrangements and the general anti-avoidance rules.

GST on Security Deposits

The Tax Office has recently released a GST ruling in relation to 'deposits held as security for the performance of an obligation', which defines the meaning of the term, as it is not defined in the GST legislation.

As a result of this ruling, taxpayers will be able to more accurately determine whether a deposit paid or received is in fact a security deposit for the purposes of the GST legislation. This will allow taxpayers to correctly determine the GST implications of paying or receiving the deposit.

The ruling contains a more detailed discussion and provides additional examples which were not previously included in the draft ruling.

Other Key Taxation Issues for 2006/2007

**FBT Car Parking;
Government Rebates;
CGT Improvement threshold;
Asset transfers between super funds**

- The FBT car parking threshold has increased to \$6.62 from \$6.43, effective from 1 April 2006.
- A recent Tax Office ruling deemed that a government rebate, received by a rental property owner for an energy saving appliance, is assess-

able income.

- The CGT improvement threshold has been increased from \$109,447 to \$112,512 for the 2006/07 income year. This applies when a pre-CGT asset is a separate asset or where a rollover may be available.
- The Commissioner of Taxation has determined that there is no CGT liability where an asset is transferred from a jointly managed superannuation fund to another self-managed superannuation fund as a result of a marriage breakdown.

False details on tax return

In a recent decision, the AAT upheld the Commissioner's decision to impose penalties on a taxpayer who had lodged an income tax return with incorrect details through an agent.

The taxpayer had their income tax return prepared by a tax agent and failed to note



Burden of proof

that there were disclosure errors regarding certain employment and assessable income details.

The AAT concluded that the burden of proof rested with the taxpayer, and disallowed the taxpayer's penalty objections.

Tax Diary

21 July - Monthly IAS lodge and pay

28 July - Superannuation Guarantee payment for quarter to June 2006

11 August - Paper lodgement and pay BAS for June 2006

25 August - Tax Agent lodged BAS for June 2006, lodge and pay



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Important: This is not advice. Clients should not act solely on the basis of the material contained in this Newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

OTS Management is a quality and value driven boutique consulting and accounting company that provides organisational development services to commercial, growth-oriented Small and Medium Enterprises who require business services, advice and coaching.

We give our clients comfort in their decision-making by providing them with our experience and independent advice that saves them time and helps them grow. Unlike other accounting services companies, our clients have significant contact with our senior people.

We meet our own high expectations in order to exceed the expectations of clients.

Our services include:

- *Change Management consulting*
- *The Zest Factor - find the zest in your organisation*
- *Strategic & Business Planning*
- *SMART Marketing workshops*
- *Team Development workshops*
- *Performance Management Systems*
- *Zest Tests - Business Diagnostics on your organisation*

The Juice

On our website (see above) you will now find a link to the website for BAMA ISX at www.isx.org.au.

OTS Management supports BAMA ISX, or the "Indigenous Stock Exchange".

BAMA ISX is a non-profit joint venture between two indigenous organisations from Broome and Cape York. Using their multimedia and television production expertise they have voluntarily created a concept where they hold "trading floors" in various country regions to showcase struggling start up indigenous business, and encourage indigenous employment and enterprise.

Before each trading floor, the television production crew from Goolarri Media in Broome arrive to interview potential participants and create short video clips about

their businesses. Then the day before the trading floor, the participants are given a series of workshops to help them - how to start a business at the kitchen table, how to present to camera, and so on. The trading floor day is the day when each business has their video shown in front of a live audience as well as webcast internationally. Each participant then has the chance to stand up and talk about their business and what they are looking for in terms of capital, joint ventures, mentorship and so on.

In the past, these trading floors have caught the attention of big

business and philanthropic organisations who have helped these businesses and provided grants and donations ranging from \$1,000 to \$340,000.

In a twist of the positive, one of WA's most successful indigenous businesses, Ngarda Civil & Mining (Director Barry Taylor - left - seen



here accepting an award from Prime Minister John Howard) were the major sponsors of the recent trading floor in Roebourne.

In life, we receive what we give out. OTS Management supports the BAMA ISX trading floors.

What about you?

Visit www.isx.org.au and see what you can contribute to a positive story about Indigenous Australia.