

In this issue

Financial Planning – 3 Years Strong!
Tax Time
2007 Budget Changes
Tax Free Income – That's Super
Economic Update from Steve Ham

New Name / New Look!

We are pleased to announce a change in our company name from Hoffman Kelly Lajoie to 'Hoffman Kelly' Chartered Accountants, which took effect on 1 July. You also will notice a complete overhaul to our corporate image including new stationery, logo, signage and web page. We hope you like these changes and encourage you to visit our new webpage at hoffmankelly.com.au.

Incredibly, a year has now passed since Sue Lajoie retired on 30 June last year. The time has flown for us and apparently also for Sue and Charles also who have been very busy touring in their new "5th wheel" and planning their holiday through Europe later in the year.

Happy New Year and Thankyou!

Happy New (financial) Year!

As we take a breath to reflect on what has been our busiest year to date, we would like to thank you for your continued loyalty. Hoffman Kelly is fast becoming one of the largest accounting firms outside the Brisbane CBD. As we do not advertise, our growth is almost entirely from word of mouth referrals from you, our existing clients.

We pride ourselves on providing a service that is second to none and we firmly believe this is achieved by our team that we have no doubt is second to none. When combined with our emphasis on extensive technical training and development for all professional staff, we are positioned at the cutting edge in providing optimal structuring / tax effective outcomes.

Again we thank you for this support and your recommending us to family and friends. Of course if there is any aspect of our service you are not completely satisfied with, please let us know.

Financial Planning – 3 Years Strong!

Our financial planning division, headed by Steve Ham, is now in its third year. It was established in July 2004 with the aim of providing comprehensive, non-biased and cost effective financial planning solutions exclusively to existing Hoffman Kelly clients.

We strongly believed then, as we do now, that to optimise wealth and asset protection through all stages of life, it is essential that structuring, taxation, investment, superannuation, and estate planning be considered (with the planner and accountant together) as an integrated financial package rather than as separate issues. We are proud of the results we have been able to achieve for clients due to synergies that we have been able to offer in these areas.

Steve has extensive experience in financial planning (including as State Manager of the Westpac Financial Planning Group) and our financial planning division has now grown to three full time staff.

If you haven't already done so, we invite you as an existing client of Hoffman Kelly to arrange an obligation free meeting (or telephone chat) with Steve at anytime.

Tax Time!

Yes, it's that time of the year again when some will no doubt be pulling out the 'shoebox' of receipts and trying to arrange them in some logical order. To help ease the stress in this process we will be sending out our comprehensive tax "checklist". This will be posted out before the end of next week. If you do not receive this checklist and would like one, please call Andrea on 3394 2311 who will post or email one straight out.

2007 Budget Changes

PERSONAL INCOME TAX CUTS (OVER 2 YEARS)

Increases in the personal tax threshold to apply over the next 2 years are as follows

Current tax thresholds Income range (\$)	Tax rate %
0 – 6,000	0
6,001 – 25,000	15
25,001 – 75,000	30
75,001 – 150,000	40
150,001 +	45

New tax thresholds from 1 July 2007 Income range (\$)	Tax rate %
0 – 6,000	0
6,001 – 30,000	15
30,001 – 75,000	30
75,001 – 150,000	40
150,001 +	45

New tax thresholds from 1 July 2008 Income range (\$)	Tax rate %
0 – 6,000	0
6,001 – 30,000	15
30,001 – 80,000	30
80,001 – 180,000	40
180,001 +	45

Some of the key points in relation to these budget changes to personal tax rates include:

- The 30% tax threshold will commence at \$30,000 (up from \$25,000). In addition, the Low Income Tax Offset (LITO) in increased to \$750 and only begins to phase out at \$30,000.
- The increase in the LITO increases the effective tax-free threshold to \$11,000.
- Assuming no LITO the tax free threshold remains at \$6,000.
- Senior Australians who are eligible for the Senior Australians Tax Offset will pay no tax on income up to \$25,867 for singles and \$43,360 for couples.
- From 1 July 2008, the 40% tax threshold will be raised to \$80,000 and the top rate (45%) will be raised to \$180,000.

DEPENDENT SPOUSE REBATE

There has been an increase in the dependent spouse rebate to \$2,100 (up from \$1,655) for the 2007/08 financial year. This rebate applies to taxpayers with a dependent spouse without children. The rebate phases out completely when the spouses has separate net income of \$8,681 (note: this rebate is effectively incorporated into FTB part B where dependent spouse **and** children.)

APPRENTICE PAYMENTS

From 1 July, eligible apprentices under age 30 will receive a tax exempt payment of \$1,000 per year (paid in 6 monthly instalments) during the first and second years of the apprenticeship. These apprentices may also be eligible for a voucher worth up to \$500 toward course fees in the first and second years (assuming apprenticeship is in a skill shortage trade).

INCREASE IN CHILD CARE BENEFIT

From 1 July, child care benefit payments (CCB) will increase by 10% on top of indexation. For example a family on maximum CCB with one child in Day Care for 40 hours per week will receive \$134.80/wk (an extra \$16.40).

Also, for the 2007 and future years families will receive the child care tax rebate as a **direct payment** shortly after the end of the financial year. *Effectively this means that families with out of pocket costs in both 2005/06 and 2006/07 will receive two rebates in 2007/08, one in the tax return, and the other as a direct payment.*

GST SMALL BUSINESS CONCESSIONS

From 1 July, business with an annual turnover of less than \$75,000 will no longer be required to register for GST (but of course can continue to elect to register). The GST registration threshold for non profit bodies will be increased to \$150,000

Also from 1 July, all purchases by business under \$75 (ex gst) will no longer be required to hold a tax invoice to claim the GST credit. This measure also carries over to the 'no ABN withholding' arrangements.

Tax Free Income – That's Super!

The much anticipated changes to superannuation became effective on 1 July! The current superannuation framework is briefly summarised as follows:

- Australians aged 60 and over no longer pay tax on their superannuation benefits (lump sums or pensions), and of course once in pension phase, all earnings of the fund are tax-free. When a taxpayer reaches preservation age (currently 55), they will still be able to access their superannuation benefits before age 60 but will pay tax (at concessional rates). Under 'transition to retirement' provisions taxpayers who work beyond age 55 can salary sacrifice part of their wage into superannuation whilst compensating with pension monies directly from superannuation. This can provide a tax saving on the salary sacrificed amount AND within the fund, as fund income is tax free in "pension phase". Please call if you believe this 'transition to retirement' option may be relevant to your circumstances or would like more information.
- Once age 55 and retired, there is no longer a maximum pension limit from superannuation. Potentially this means you are able to take out as much as you like, when you like! (There is still a minimum amount that you must draw each year).
- Reasonable benefit limits (RBLs) are now abolished! Accordingly there is no maximum benefit amount after which the above tax concessions are lost.
- Age-based deductible contribution limits have now been removed. Instead, annual tax deductible contributions up to a limit of \$50,000 per person are allowed. There is a transitional period for people aged 50 and above, allowing tax deductible contributions of \$100,000 a year for the next 5 years. Again these measures provided excellent planning opportunities as either a traditional salary sacrifice or 'transition to retirement' arrangement.
- Non deductible (personal) contributions by members are now limited to \$150,000 a year. However a contribution of \$450,000 can be made in a particular year (assuming no contributions are made in the following 2 years).
- Employers are now able to make deductible superannuation contributions for employees up to the age of 75 (subject to a 'work test' if over age 65, being 40hrs in any consecutive 30 day period).
- Contributions by self-employed taxpayers are now treated the same way as those made by employers for employees. Additionally, eligible self-employed persons will now also be able to access the Government co-contribution scheme.
- The pension assets test taper rate will reduce from \$3.00 to \$1.50 per fortnight with effect from 20 September 2007. A pensioner's home will remain outside the assets test.

Accordingly, superannuation is an extremely tax effective environment and notwithstanding the limit on personal contributions, there is still significant opportunity to contribute either by 'salary sacrifice', 'transition to retirement', 'self employed' or personal (after tax) contributions. For example a couple aged 50 could potentially contribute up to \$200k in tax deductible contributions and a further \$900k in personal contributions during a particular financial year.

As mentioned pensions from age 60 are now tax free, but additionally they do not constitute taxable income to the taxpayer. This provides us with substantial tax planning opportunities to absorb other forms of taxable income including, for example, trust distributions or fully franked dividends from listed entities OR other family group entities. This can result in tax free distributions and/or personal tax refunds! (represented by a return of tax credits attached to fully franked dividends).

If you would like to discuss these opportunities specific to your circumstance or would like to know discuss the option of a 'Self Managed Superannuation' fund please call.



Economic Update from Steve Ham

Is Australia all there is?

Despite the Australian market having had yet another strong year, outperforming the rest of the world (as measured by the MSCI World ex-Australia) by a significant margin, many are now arguing that globalisation is changing some of the previous rationale for domestic-only asset allocation. With increasing globalisation of local companies, weakening geographic boundaries and Australian companies being valued within a global outlook, differentiation between individual domestic and international stocks is becoming increasingly redundant.

An increasing number of ASX-listed companies generate a substantial part of their revenues outside Australia. Some of the companies most popular with Australian investors, for example BHP Billiton, derive up to 85% of earnings from overseas operations. Other companies listed on the ASX do not have Australian operations at all, such as the UK-based, dual-listed Henderson Group. This therefore argues that companies should be considered in the context of global comparisons rather than valued within an Australian equities pool. This view is supported by the fact that the marginal buyer of Australian equities is already in many cases large offshore global fund managers who value Australian companies on global comparisons.

In addition, the global equity markets have wider sector diversification than the Australian market, with lower allocations to the materials and financial sector, and greater allocations to such as healthcare and technology.

In saying this, the tax efficiency derived from the Australian market through imputation credits is a distinctive factor in considering portfolio construction. Particularly when relying on income and tax efficiency, yields from fully franked income bias Australian stocks are hard to beat. If you would like any further information on domestic and international asset allocations in your portfolio, feel free to contact Steve Ham.

Meet the Team

Business Services

Partner	Anthony Hoffman
Partner	Troy Kelly
Manager	Beshara Anstis
Manager	Greg Roberts
Accountant	Thomas Aitkenhead
Accountant	Kelly Graham
Accountant	Craig Mitchell
Accountant	Michael Kerwin
Accountant	James Pavone
Accountant	Ramil Alpuerto
Accountant	Shelly Nakamura
Accountant	Chelsea Tabart
Office Manager	Lisa Cronin
Admin Manager	Tracy Warren
Receptionist	Andrea Garwell

Financial Planning

Financial Planner	Steve Ham
Para Planner	Cath Thallon
Administration	Amanda Lynch



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