



# The Financial Paracetamol

Your Guide to Financial Health

PREVENTION • SYMPTOMS • CAUSES • TREATMENT

## IN THIS ISSUE

April 2005  
ISSUE NO. 33

What Are Your  
FBT Obligations?

Land Tax  
Threshold Abolished

The Era Of Low  
Interest Rates  
Is Over?

Staff Profile

Did You Know?

## What Are Your FBT Obligations?

With a lodgement date of 27 May 2005 looming, following are a few key things to keep in mind when assessing your Fringe Benefits Tax (FBT) position and obligations.

Any employee who receives more than \$1,000 taxable value of certain benefits (other than salary, wages or superannuation) for the 2005 FBT year (1/04/04-31/03/05), must have the grossed-up value reported on their 2005 PAYG Payment Summary.

There are various ways you can reduce your FBT liability, such as replacing an employee's fringe benefits with the cash equivalent in the form of salary or wages; provide only exempt benefits; pay for or reimburse an expense an employee would otherwise have been able to claim as an income tax deduction; obtaining a contribution from the employee toward the benefit. However, keep in mind that an employee contribution will have to be included in your assessable income and will be treated as a taxable supply for GST purposes, meaning that you would have to remit GST of 1/11th to the Australian Taxation Office.

**Some common Fringe Benefits that Medical Practitioners encounter are outlined as follows.**

### Motor Vehicle Benefits

A car fringe benefit arises where a car that you own or lease is made available for the private use of an employee. Methods that

can be used to calculate a motor vehicle fringe include using actual cost or based on the number of kilometres travelled, remembering that you can choose whichever method results in the lowest taxable value. It is essential that logbook and odometer records be kept to determine your liability under either method. You can keep your logbook for up to five years assuming there is no major change in the pattern of use. Note that types of motor vehicles that are **FBT exempt** include **utilities, panel vans** and other **non-normal passenger cars** where private use is incidental.

### Entertainment Benefits

Entertainment and meal benefits provided to an employee either on or off the employers premises, in excess of \$100 per person (including spouse's) are generally fringe benefits taxable.

### Other Benefits

Payment of an employees home telephone expense, where the benefit is not otherwise deductible to the employee is assessable for FBT purposes.

### Fringe Benefits Tax Exemptions

Other benefits that are provided to employees, but are not assessable include:

- **Minor Benefits (less than \$100)**
- **Provisions are made for some work-related items such as:**

*Continued on next page...*



**Cutcher & Neale**  
CHARTERED ACCOUNTANTS

Proud sponsors of the Hunter Postgraduate Medical Institute

## The Financial Paracetamol

Continued from previous page...

- Mobile or car phone
- Protective clothing
- Tools of the trade
- Computer software for business use
- Notebook or laptop computer
- **Membership and subscription fees for:**
  - Trade or professional journals
  - Corporate credit card

## Land Tax Threshold Abolished

From 1 January 2005, the \$317,000 tax free threshold which previously applied has been abolished.

The new law states your 2005 NSW Land Tax liability will be assessed at the following rates:

TAXABLE VALUE OF LAND OWNED	RATES OF LAND TAX PAYABLE
Not more than \$400,000	0.4 cents for each \$1
More than \$400,000 but not more than \$500,000	\$1,600 plus 0.6 for each \$1 by which the taxable value exceeds \$400,000
More than \$500,000	\$2,200 plus 1.4 cents for each \$1 by which the taxable value exceeds \$500,000

If land is subject to a **special trust**, or is owned by a **non-concessional company**, land tax will be charged at the rate of 1.4 cents for each \$1 of the taxable value.

You **may be liable** for land tax if you own or part-own any of the following property types in NSW:

- **vacant land - including vacant rural land**
- **a holiday home**
- **an investment property**
- **company title units, or**
- **residential, commercial or industrial units**

Land that is used and occupied as your **principal place of residence** and for no other purpose is **exempt from land tax**, regardless of its land value. Where a principal place of residence is used for any other purpose, that **proportion not used** as the residence of the owner **is liable for land tax**.

If you have not yet received a Land Tax Assessment from the Office of State Revenue it may be an idea to lodge an **Initial Return** to ensure you have fulfilled your land tax obligations by visiting **[www.osr.nsw.gov.au](http://www.osr.nsw.gov.au)** or **contact our office**.

Our Medical Practitioners Division can **improve the overall performance of your practice** by providing:

- Proactive Taxation Advice and Planning
- Preparation of Management Accounts
- Wealth Creation Strategies
- Retirement Plans and Succession Planning
- Assistance with Finance Applications to Bankers and Other Financiers

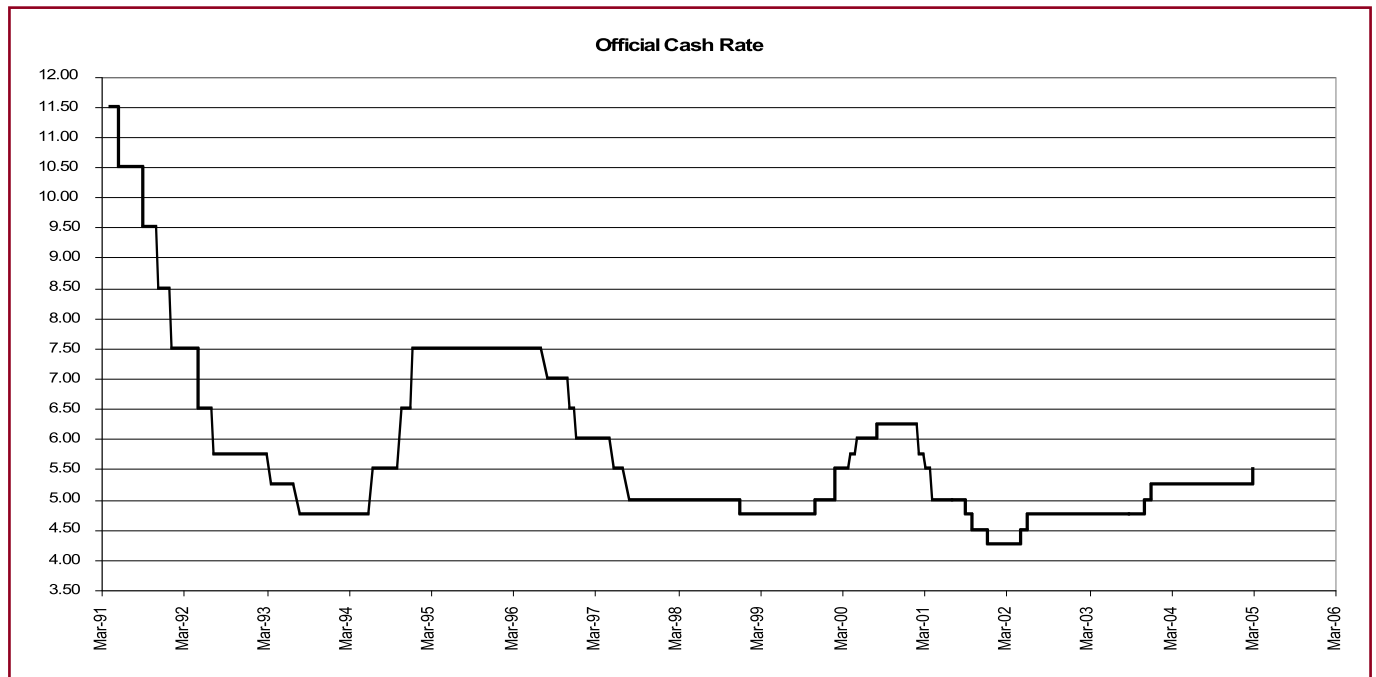


**Cutcher & Neale**  
CHARTERED ACCOUNTANTS

## The Era of Low Interest Rates is Over...?

The past 8 years has seen Australians experience the lowest interest rates in history. In the mid '80s interest rates were almost as high as 20% and even over double digit figures in the early '90s.

But as the graph below illustrates, **interest rates** since 1997 have **fallen** to single digit rates and even though we have had 5 rate rises in the past 3 years, they still remain well under 10%.



*Does that mean that we are headed for double digit interest rates in the future?*

The most recent rise of March 2005 was one of the most controversial rate rises in recent history. The main argument against raising rates being based on a plethora of economic data that showed the economy had slowed significantly.

In other words, the soft landing the RBA had designed had already arrived and a rate rise could be detrimental.

This line of thinking was endorsed within two hours after the RBA hiked rates, when it was announced that GDP barely grew in the December quarter, and that year on year it was a low 1.50% compared to the decade average of more than 3.75%.

The RBA cited **unprecedented growth in employment** as a major factor behind their decision. Their line of thinking being that such high employment would fuel inflation.

**With inflation relatively benign around the world, it seems it will be a long time before we will see double digit interest rates. If economic data continues to paint a conflicting picture, uncertainty over interest rates will remain.**

### Staff Profile...

Employed with Cutcher & Neale for just over 4 years, **Derek Bouman** is a member of the Business Services Team. In his final year at the University of Newcastle, Derek is completing a combined degree of Bachelor of Business/Commerce. Working with several of our **General Practitioner clients**, Derek is experienced in tax planning and business structuring. Additionally, he has gained valuable knowledge completing company accounts, superannuation funds, tax matters and playing a key role within our Professional Sportsperson Division.



## Did You Know?

### Quarterly Superannuation Reporting:

From 1 January 2005, you will be no longer required to report Super Guarantee payments to your eligible employees. That is, employers are no longer required to provide employees with quarterly superannuation statements.

That is, unless you are covered under the Australian Workplace Legislation or award agreements that require you to report superannuation contributions on payslips, where you will still be obligated to report to your employees.

### Employee Choice of Fund:

From 1 July 2005, employers will be required to offer a choice of fund to give employees the right to choose the complying Superannuation Fund into which their compulsory Superannuation Guarantee Contribution (SGC) is deposited.

**Death or disability cover** is fully deductible when held and paid in the name of a complying superannuation fund.

If you are registered for GST and **sell or trade-in a motor vehicle** that is used in relation to your business you are required to collect GST as 1/11th of the sale price and remit this to the Tax Office

**The Luxury Car Limit** for the 2005 Financial Year is \$57,009 (GST exclusive).

**Reasonable Travel Allowance** guidelines for the 2005 Financial Year can be found on the Australian Taxation Office website [www.ato.gov.au](http://www.ato.gov.au) in their legal database under TD 2004/19.

## Tell Us More...

Is there something you would like us to write about? We are always on the lookout for new article ideas and welcome your suggestions for future newsletters. Email your suggestions to [financialparacetamol@cutcher.com.au](mailto:financialparacetamol@cutcher.com.au)  
If you would like to receive future editions via email, please email us your previous contact details and preferred email address to [financialparacetamol@cutcher.com.au](mailto:financialparacetamol@cutcher.com.au)

**Important Disclaimer:** The material contained in this publication is in the nature of general comment only, and neither purports, nor is intended to be advice on any particular matter. Readers should not act or rely upon any matter or information contained in or implied by this publication without taking appropriate professional advice which relates specifically to their particular circumstances. The publishers and authors expressly disclaim all and any liability to any person, whether a client of Cutcher & Neale or not, who acts or fails to act as a consequence of reliance upon the whole or any part of this publication.

Privacy: Cutcher & Neale acknowledges and abides by the laws and principles relating to Privacy. Should you not wish to receive information relating to Cutcher & Neale newsletters, please inform us by contacting our office on (02) 4928 8500.

Associated with

**Deloitte Touche  
Tohmatsu**



Liability Limited by the  
Accountants Scheme,  
approved under the  
Professional Standards Act  
1994 (NSW).



**Cutcher & Neale**  
CHARTERED ACCOUNTANTS

Phone: (02) 4928 8500  
Fax: (02) 4926 1971  
Email: [financialparacetamol@cutcher.com.au](mailto:financialparacetamol@cutcher.com.au)  
Internet: <http://www.cutcher.com.au>

Cutcher & Neale  
The Bolton Building  
25 Bolton Street, PO Box 694  
Newcastle NSW 2300