



Your Financial Solutions

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Welcome

Recent natural disasters in Queensland, New Zealand and Japan have reinforced the fragility of our society and economic landscape. Our thoughts are with the many hundreds of thousands of people affected.

The potential commercial impacts have been analysed by many, with the consensus view, that the short term dislocation will not have a lasting effect on the national or international economies.

At a local level, our domestic economy has been hampered by the scarcity of finance and the position being taken by a number of banks.

The days of the 'bank credit department', rather than the 'relationship managers', having the whip in hand has been well and truly with us over the last 18 months.

Historically, we might have viewed our bank relationships as a partnership, and one where both parties treated each other with due respect. Sadly, and I am disappointed to acknowledge this, by and large this is no longer the case.

Although, for many businesses, particularly those having a difficult time or those wishing to grow and who need funds to do so, it is a relationship that needs nurturing to get the best out of it.

However uncooperative you may think your current funder is, if they have a debt stake in your business and / or you want them to take more, then you need to create an environment which is likely to entice a funder to either stay in place or to elicit more funds as needed.

When meeting financiers, business owners only have one chance to get it right. Success or failure is all in the presentation. When preparing a pitch, it is vital to understand the provider's likely stance on your proposal beforehand, otherwise you will lose creditability fast.

You've also got to know the right bankers to approach. Although there are plenty who are risk adverse, there are a few who will go to the trouble to understand a business proposition and see how they can provide constructive and positive help.

Don't just give them the numbers. Ensure you have a well considered finance proposal that covers all the risks and opportunities that apply to your business and industry.

Our recent discussions with some banks on behalf of clients has seen some apparent easing in policy, with talk again of 'cashflow lending' and a more reasonable approach being taken with clients in tight positions. We can only hope that it continues to improve.

Kind regards,



Allan McKeown
Chief Executive



Managing Paid Parental Leave in your business

By Megan Faraday-Bensley, Director Business Services and Taxation

On 1 January 2011, the Federal Government's Paid Parental Leave (PPL) scheme took effect. The PPL scheme provides a government-funded entitlement for working parents.

An employee may be eligible for PPL if they:

- are the primary carer of a newborn or adopted child
- are an Australian resident
- have met the PPL scheme work test
- have received an 'adjusted taxable income' of \$150,000 or less in the financial year prior to the date of birth or date of claim
- are on leave or not working from the time they became the child's primary carer.

PPL provides 18 weeks paid leave to eligible parents, at the National Minimum Wage (currently \$569.90 per week, before tax). Employees who claim PPL will not be eligible to claim the baby bonus, except in the case of multiple births. The receipt of PPL may affect other entitlements such as Family Tax Benefit and Child Support. Before claiming PPL employees should consider the benefit they would receive under the PPL scheme, compared to claiming the baby bonus.

Transitional arrangements

Up until 30 June 2011, an employer can choose to process PPL payments directly to eligible employees. Alternatively, the Family Assistance Office (FAO) can process the payments on the employer's behalf.

As of 1 July 2011, employers will be responsible for processing PPL payments to eligible long-term employees (an employee with more than one year's service). The funds will be provided by the FAO to the employer, prior to the employee's usual pay cycle. For employees with less than one year's service, the FAO will administer the payment directly to the employee.

Preparing your business

Prior to 1 July 2011 you will need to register for the PPL scheme through Centrelink. You will be notified by Centrelink when you have an eligible employee, as a result of the employee registering for their entitlements.

PPL payments are taxable in the hands of the employee and should be processed through the payroll and have tax withheld. Employers will not be required to make superannuation payments for government PPL.

Employers are obligated to honour any current, contractual, employer-provided paid leave, in addition to the government's PPL. The PPL can be taken at the same time as, before or after the employer-provided paid leave.

For more information on the Paid Parental Leave scheme, please contact your Prosperity Principal Adviser.

Tax breaks for green buildings

By Stephen Cribb, Director Business Services and Taxation

From 1 July 2011, businesses that invest in eligible assets or capital works, to improve the energy efficiency of their existing buildings, will be eligible to apply for a one-off bonus tax deduction.

Businesses will be able to claim a bonus tax deduction of 50% of the cost of these improvements.

The tax break will be for 'eligible capital expenditure' in the retrofitting of an existing commercial building. The approved list of 'eligible capital expenditure' will be determined by environmental, industry and government stakeholders.

This initiative will give businesses an incentive to use energy more efficiently in their buildings.

It has been proposed that businesses will be able to upgrade common area lighting, heating, ventilation and air-conditioning systems, the building fabric (eg. glazing and shading), and monitoring and control systems.

For the purpose of the tax breaks program, applications will be assessed on the overall cost of the retrofit development, rather than the costs of individual upgrade items.

Each building will need to be assessed by an accredited National Australian Built Environment Rating System (NABERS) assessor before and after the project. To be eligible for the tax break, the building will need to improve energy efficiency from two stars or lower to four stars or higher, between 1 July 2011 and 30 June 2015.

The overall cost approach will mean that businesses can develop a combination of upgrades to improve their buildings, in the most cost effective manner. It allows greater flexibility in project management. For example, you could make modifications to the original retrofit plan, if one or more components do not work out as planned.

Who can apply

An eligible applicant must be:

- The same entity that is entitled to the regular tax deduction, associated with the expenditures of the proposed retrofit under the current tax law.

- The owner or part owner of an eligible building that is the subject of an eligible retrofit.
- Able to demonstrate an ability to fund the cost of the project, not met by the expected tax deduction incentives.

What buildings

An eligible building must be an existing office, hotel or shopping centre building within Australia.

The proposed eligibility criteria is:

- Offices - a net lettable area that is greater than 2,000 m²*
- Shopping centres - a gross lettable retail area that is greater than 15,000 m²*
- Hotels - more than five hotel rooms and operated as a business hotel.

* measured in accordance with the corresponding NABERS Energy rating protocols.

The tax breaks program will build on the current Green Building Fund, continuing to provide incentives for businesses to act on these identified energy saving opportunities.

The Government is planning to introduce legislation for the tax breaks program incentive before the end of the 10/11 financial year, in time for its introduction on 1 July 2011.

The new legislation will address eligibility, assessment and verification arrangements for the program. The Income Tax Assessment Act 1997 will also be amended to establish the bonus tax deduction claimable under the program.

For more information about the tax break opportunity, please contact your Prosperity Principal Adviser.

New rules for landlords and tenants of NSW residential properties

By Michael Griffiths, Director Business Services and Taxation

Following a comprehensive review of New South Wales tenancy laws, more than 100 new reforms have been included in the Act, made effective on 31 January 2011.

The Act now makes it more difficult for landlords to remove a tenant. More than ever, landlords need to be diligent in the management of residential property investments, ensuring they don't get caught out.

The NSW Residential Tenancies Act 2010 includes changes to a range of areas, including rent payment arrangements, early termination by tenants, 'no-grounds' evictions, rent arrears and shared housing. Some notable changes are outlined below:

- Notice period by landlord to tenant to terminate lease (end of a fixed term) – increased from 14 days to 30 day's notice. The owner/property manager must serve notice one month prior to the expiry of the fixed term.
- Notice period by the landlord to the tenant to terminate lease (when the fixed term has already ended) – increased from 60 days to 90 days. Tenants may vacate at any time, once notice has been given, without the need to provide further notice.
- Sale of rental premises – the tenants must be advised of the sale, two weeks before the first inspection. Up to two inspections per week are permitted and further access can be negotiated.
- Lodgement of rental bonds – additional time has been granted to both owners and agents to lodge bonds with the Rental Bond Board – 10 working days.
- Top-up of rental bonds – owners can no longer request that the bond be 'topped up' if the rent has increased during the course of a tenancy.
- Fee-free rental payments – tenants must be given at least one method of paying the rent which does not incur additional fees eg. direct deposit.

For more information on the changes in the new Act, please contact your Prosperity Principal Adviser.



Are you 65 and still working?

By Crystal White, Private Client Adviser

Did you know you can be over 65, still working and be entitled to claim the Age Pension? To qualify for the Age Pension, a man must be aged 65 years or over; women born after 1 January 1949, also qualify at age 65, whilst those born earlier will qualify at a younger age.

In determining eligibility for a payment, Centrelink conducts income and assets tests. After completing these two tests Centrelink will determine which returns the lower entitlement. It is this lower amount that you will receive.

Additionally, to reward those who work beyond 65, the government has introduced a Work Bonus scheme. Under this scheme half of the first \$500 of fortnightly employment income, will be disregarded from the income test.

To receive the Work Bonus, you firstly need to be receiving the Age Pension. You do not need to apply for the Work Bonus separately, as Centrelink will automatically calculate your entitlement to include this. However, you will still need to keep Centrelink up to date with your earnings.

Example

John (66) and Rhonda (65) are both receiving the Age Pension and are income test dominant. They both work part-time and have reported that in the last fortnight John earned \$100 and Rhonda earned \$600. Centrelink disregards half of each of their earnings up to \$500.

Therefore, \$50 is disregarded for John and \$250 is disregarded for Rhonda. Assuming that they have no other income, they will receive \$1,008 combined per fortnight. Without the application of the Work Bonus they would have received \$858 combined per fortnight.

For more information on the Age Pension and Work Bonus scheme, please contact your Prosperity Principal Adviser.

Year end tax planning

The year is passing by quickly and we are already in the month of April.

With the end of the financial year just around the corner, it is time to start thinking about tax minimisation strategies, to ensure your net income is maximised for the year!

Please contact your Prosperity Principal Adviser to discuss tax minimisation strategies that are appropriate for you.

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