

LAWLER PARTNERS

MAKING YOUR BUSINESS STRONGER

www.lawlerpartners.com.au

SUMMER 2005-2006

LawlerLink

A QUARTERLY PUBLICATION OUTLINING RELEVANT BUSINESS ISSUES FOR YOU

Issue 8

p 2

HUMAN RESOURCES
MANAGEMENT
Skills Shortage

p 3

CLIENT PROFILE
Katering

p 4

HAPPENINGS @
LAWLER PARTNERS

p 5

PICTURE GALLERY
Race Day &
Christmas Party

p 6

SUPERANNUATION
Superannuation's
Dynamic Duo

p 7

SUPERANNUATION
Superannuation's
Dynamic Duo cont.

p 8

TAX CALENDAR
INDUSTRIAL
RELATIONS UPDATE

MANAGED OR DIRECT *Risky Business*

Investing in managed funds compared to holding investments directly such as Australian shares is a common BBQ financial planning discussion topic.

Mark Arnold, principal of Lawler Financial Services addresses some of the complex underlying aspects.

Firstly, there must be a decision to invest. The converse to investing is to spend or build up the cash in a tin! If you save and place the funds in a bank or a building society you are investing directly in the cash rate of return. Essentially there are only four investment sectors to select from (although there are hundreds of derivations): cash, fixed interest, property and shares.

Selecting where to invest requires careful consideration of individual circumstances and investment time frames.

Direct investment refers to buying shares, property (residential or commercial) and purchasing term deposits. The alternative to direct investment is to use an intermediary or fund manager to make the selection within the sectors listed above. Fund managers operate through listed investment companies on the Australian Stock Exchange and retail or wholesale investment unit trusts.

Direct investment may be either a rewarding or disappointing experience for the investor as they assess their success based upon the amount of gain or loss on the investment. Many investors do not assess the risk of their portfolio against the market (for example, the ASX 200 on the Australian share market).

If an investor purchased shares in only one Australian company the financial outcome is totally dependent on that particular company. This is like crossing a dangerous ravine using only one plank - you may get to the other side but not without considerable risk.

By increasing the number of shares (or planks!) the investor is able to diversify and reduce individual stock risk until the point where the investment portfolio matches the risk of being 'in the market'. Financial theory suggests that an Australian share portfolio should have approximately 15-20 stocks to reduce individual company risk and reflect market risk. Bearing risk in the market is speculation and whilst this may be acceptable to some investors many direct share investors speculate through consequence rather than by design.

An alternative is to invest through a fund manager. In the Australian share market, fund managers have a group of trained professionals that have investment knowledge and expertise to enhance returns through stock selection within a diversified portfolio. Transaction costs are minimized through economies of scale and they have streamlined administration systems that track dividend and taxation information. Direct share investors often select their shares emotionally or on the basis of a recommendation (sometimes made at a BBQ!).

Fund managers may be accessed through retail or wholesale (via a platform or significant investment funds) and diversification in the sector may be achieved from an investment of around two thousand dollars. Australian share fund managers charge a fee for their service as a percentage of the investment known as the Management Expense Ratio (MER). This fee varies amongst managers and would approximate 0.7% wholesale and 1.5% retail.

Basic financial principles suggest that whether investors utilize fund managers or invest directly they should make rational decisions commensurate with their circumstances and financial outcomes should be assessed in the context of the risk and return.

For further investment information contact:

Mark Arnold on
phone 02 4928 7000



OFFERING *Employment* to

OVERSEAS EMPLOYEES

Skills shortage is the major factor influencing business today according to a recent survey by Hays. Almost 62% of hiring managers indicate the impact of ongoing vacancies could result in difficulties for their organisation when it comes to delivering core services. Further, more than two thirds believe the current lack of skilled candidates is having a significant impact on their business and 40% are uncertain how to address the issue or have no plans to change their recruitment strategy.*

With talk of the skills shortage set to continue, it is estimated 80,000 Temporary Business (Long Stay) 457 Visas will be granted to foreigners and their immediate dependents this financial year.

As an employer, you may be considering employing workers from overseas (these employees are often referred to as 'expatriates'). In this article Lawler Partners examines the taxation opportunities for salary packaging to overseas employees.

ARE THERE ANY BENEFITS AVAILABLE AS AN EMPLOYER BY EMPLOYING EXPATRIATES?

Yes. Under Australian tax laws, both you as an employer as well as the employee can benefit through the provision of certain fringe benefits. If structured correctly (using salary packaging) the provision of fringe benefits can result in a win-win situation, for example lower taxation for the employee and on-cost savings for the employer.

WHAT ARE THE BENEFITS TO THE EXPATRIATES IF I OFFER SALARY PACKAGING?

Expatriates employed in Australia can obtain significant tax advantages in comparison to their Australian counterparts. Outlined below is a summary of the most common benefits offered to expatriates (many of which can attract concessional treatment for Fringe Benefits Tax (FBT) purposes depending on the circumstances):

- A fully maintained motor vehicle;
- Overseas holiday transport (usually to their home country to visit family);
- Costs of relocation, including airfares, meals and temporary accommodation;
- Removal and storage of household effects as part of relocating;

- Connection or reconnection of telephone and/or reconnection of gas & electricity;
- Accommodation for the expatriate and their family whilst staying in Australia;
- Leasing household goods whilst staying in Australia;
- Provision of a Living Away From Home Allowance to cover the cost of food; and
- Payment of educational expenses for children to attend school whilst staying in Australia.

ARE THERE ANY SPECIAL CONSIDERATIONS OR REQUIREMENTS FOR THE ABOVE BENEFITS?

Yes. The concessions outlined above for FBT purposes are only available when the expatriate is 'living away from home' (as opposed to having permanently relocated). What this means is that if the expatriate comes to Australia with the intention of staying long term, not all of the above benefits may attract concessional treatment.

ARE THERE SALARY RESTRICTIONS UNDER A VISA?

If an expatriate comes to Australia to work under a 457 Visa, there are certain minimum levels of cash salary that must be paid. For non-IT based employment, the minimum cash salary is \$39,100 + statutory superannuation contributions. This means if you intend on offering salary packaging to an expatriate, you will need to ensure that the minimum cash salary paid satisfies the requirements of the Visa.

CAUTION URGED ON VISAS

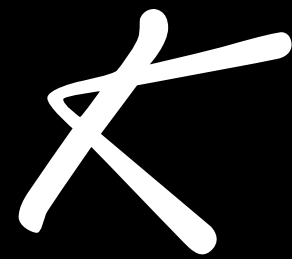
Employers sponsoring foreigners on Temporary Business (Long Stay) 457 Visas need to be mindful of a number of potential liabilities and financial implications. Approved employer sponsors undertake to pay the medical and hospital expenses incurred by the sponsored person as well as any debts owed to the Commonwealth Government during their stay. A person on a 457 Visa does not enjoy medical privileges, nor are they required to take out private health cover while in Australia.

Lawler Partners recommends legal advice from an Immigration Lawyer to ensure policies are in place regarding conditions of employment for sponsored foreign workers.

**Figures from Link Recruitment*

Kylee Dare is a Director of Lawler Partners and can be contacted for further information via kdare@lawlerpartners.com.au or phone 02 4935 6104

Exclusive IMPRESSIONS MENUS



K A T E R I N G

ARE EVERYTHING

Catering and event management company Katering Pty Ltd is run by Directors Mark White and Kate Jacklin-White, and provides some of the highest quality catering in the Sydney CBD, eastern suburbs and north shore.

Twelve years ago the company had its humble beginnings in the home kitchen of Mrs Jacklin-White who was trained at Prue Leith's Cookery School in London. Today, Katering have a spectacular entertaining studio at their Surry Hills warehouse and employ a staff of 25, including waiters, chefs and event managers. They also have the enviable reputation of having one of the best catering kitchens in Sydney.

The business provides a one-stop shop approach to entertaining from the invitations, exclusive menus that are innovative in taste, food styling and presentation, a diverse range of equipment hire and professional waiters. They will even take out the garbage!

The team's expertise is in organising corporate events, private parties and weddings that are specially designed to meet each client's expectations. According to Mark, Katering excels within the corporate events field because they understand that impressions are

everything. "Katering are experts at creating a professional corporate event to impress. We specially design a menu and event to suit an organisation's image or brand personality."

The White's enthusiasm, vision and passion for culinary innovation together have created some of Sydney's most exclusive and spectacular events.

Recently, the business was also awarded the Wedding Caterer of the Year 2005 by the NSW Restaurant & Caterers Association.

Mark had previously had an affiliation with Lawler Partners through his background in the financial markets and he sought advice once the business really started to grow. "Due to our significant growth particularly in the last couple of years, we have required strategic advice in the areas of business structure, leasing and loan agreements and cash flow systems to prepare us for the future. Of late we have been working closely with Steve Meyn and his team to fine tune our systems and price controls as we gear up for the busy summer season ahead".

Recently the company has expanded its service offerings to include value add experiences such as a cooking school and chef's table. "We believe in doing something that is a little bit different and adds value to our corporate clients. Our new cooking school and chef's table degustation dinners in the company's kitchen at Surry Hills provide an innovative team building experience and value add service for people who are passionate about their food," comments Mark.

When asked about the secret of their success - "it's all about making people feel comfortable and giving them something special. Anyone can serve up an entrée, main course and dessert. We try to take people out of those elements and give them what one of our clients calls "lots of little moments of wow".



For further information visit
www.katering.com.au

Happenings

Lawler Partners

Congratulations

- Our warm congratulations go to long standing client **Neville Sawyer**, who retired in November 2005 as President of the Australian Chamber of Commerce and Industry (ACCI) after a two year term.



The ACCI is the peak council of Australian business associations and operates at both a national and international level representing the concerns of business to both government and the community at large.

During his time as President, Neville was involved in a number of initiatives including education, training and skills development and innovation, and continuous improvement programs for SME's.

Neville is also a director of Australian Made Campaign Limited and a member of the Prime Minister's Science, Engineering and Innovation Council.

He is cofounder and past Chairman of Newcastle organisation Ampcontrol Ltd, one of Australia's largest privately owned electrical and electronic manufacturing, design and service companies.

Charity - The Odds on Favourite

- This year Lawler Partners donated the winnings from the betting competition at their annual spring race day to Riding for the Disabled Association (RDA). A total of \$700.00 was presented to Malcolm Storey, President of the Raymond Terrace group of RDA.

The primary objective of RDA is to provide people with a disability, the opportunity to ride and enjoy all the activities connected with horse riding.

Pictured below is Malcolm Storey with Directors Simon Rutherford and Paul Gidley.



Spreading Good Will

Making a difference to Cambodia's orphaned and abandoned children.

- During November, Lawler Partners ex- General Manager and Chief Operating Officer of Hunter Medical Research Institute **Brad Webb**, along with five friends, journeyed to the Sunrise Children's Village in Cambodia.

The Sunrise Children's Village provides Cambodia's orphans with opportunities that we all take for granted. Simple things like love, food and shelter and basic rights such as inoculation, clothing, medical and dental care and education at a Government school.

The group helped out in a very practical way by painting and re-decorating the dining room, dormitory and music schools of the buildings at Phnom Penh and Siem Reap.

"We funded our own airfares, accommodation, food, insurances and other related costs, and invited our family, friends and colleagues to donate between \$10 and \$20 to this important project to support the purchase of the paint and supplies necessary for the redecoration. The response was overwhelming", says Brad.

This is the second trip Brad has made to Cambodia to assist at the orphanage.

Brad visited the Newcastle Lawler Partners office to explain the project to staff and collect donations before he left. He is pictured below with Finance and Administration Manager Debbie Matthews and Small Business Division team leader Peter Coughlan.



Season Greetings

*PLEASE NOTE OUR OFFICES WILL BE CLOSED FROM 2pm 23rd DECEMBER 2005 AND WILL RE-OPEN ON TUESDAY 3rd JANUARY 2006.



Picture Gallery

Pictured enjoying the sunshine at the Lawler Partners marquee during the Spring Carnival Racing are:



Above: The Roving Band who provided light entertainment to the punters on race day.



Above: Kylee Dare & Penny Hunter.



Above: Steve & Michelle Adams.



Above: Steve Meyn, John Whitaker & Marcia McLean.

Pictured enjoying the Christmas function held for the firm's Professional Advisers Network at the Newcastle Regional Art Gallery are:



Above: Pauline Tregenza, Anthony Minna, Noel & Jenny Brent.



Above: Geoff Page, Andrew McTaggart & John Woodward.



Above: Steve Underwood & John Hollier.



SUPERANNUATION

Dynamic DUO

The long awaited superannuation contribution splitting bill is currently making passage through the House of Representatives and the Senate.

Under this measure, future superannuation contributions can be redirected by a member to their spouse. The primary advantages being:

- Access to an additional Reasonable Benefit Limit (RBL).
- Access to a tax free, post 1983 component amount for the spouse.
- Superannuation pension income splitting.

Earlier this year, the government legislated to allow those over age 55 to commence a non commutable income stream commonly referred to as a 'pre retirement pension'. Within the marketplace it was identified that for some clients there would be a taxation advantage to commencing such a pension and simultaneously salary sacrifice current salary into superannuation.

The merits of the pre retirement pension are significantly increased where superannuation contributions can be redirected to a spouse who is not well superannuated.

The benefits of income splitting have been long pursued by the taxpayer in an attempt to minimise the household tax burden. The combination of these superannuation measures enables a couple to structure a future pension income split. Current living expenses can be financed via a non commutable pension while all future superannuation contributions can be redirected to the spouse.

Without super splitting, the strategy of commencing a non commutable pension and salary sacrificing into superannuation had the potential to be problematic for a client approaching their chosen RBL. The opportunity

to redirect the contributions to a spouse can overcome this inhibitor.

For couples with one high income earner and a non working spouse, the historical problem has been the lopsided nature of their superannuation balances. The window of opportunity first opened for these couples with the removal of the contribution work test. This enabled age based limit deductible contributions to be made for the non working spouse to offset investment or other income in their personal name.

Couples in this position can now give the non working spouse a real retirement hurry along via the redirection of superannuation contributions. The non working spouses can effectively double dip by receiving age based limit deductible member superannuation contributions, as well as redirected age base limit superannuation contributions from their spouse.

An illustration of the benefits that can result from the use of the two strategies is set out below:

Bill is 60, has a Lump Sum RBL of \$800,000 and has \$700,000 in superannuation. Janine is 59, has no RBL, and has a superannuation balance of \$50,000. Bill has a salary of \$90,000 and he currently salary sacrifices \$50,000 per year into superannuation. Bill plans to retire at age 65.

BILL'S SUPERANNUATION ADVISOR SUGGESTS THE FOLLOWING COURSE OF ACTION:

- Bill should commence a non commutable allocated pension with his entire superannuation balance and draw an annual pension of approx. \$40K to cover their current living expenses.
- Bill should salary sacrifice his entire \$90,000 salary into superannuation.
- The salary sacrifice contributions should be redirected to Janine.

ATION'S

In its current form the bill allows for 100% of contributions to be reallocated to the spouse of the member. This has a powerful potential to increase the tax efficiency of superannuation retirement incomes. Its potency is magnified when combined with another opportunity recently made available to those over age 55, the pre retirement pension.

A comparison of the end result at retirement for Bill and Janine is as follows:

WITHOUT STRATEGY:

MEMBER	SUPER BALANCE AT RETIREMENT	PENSION STREAM AT AGE 65	TAX ON PENSION STREAM
BILL	\$1,130,000	\$72,000	\$8,500
JANINE	\$ 65,000	\$4,000	0
TOTAL	\$1,195,000	\$76,000	\$8,500

WITH STRATEGY:

MEMBER	SUPER BALANCE AT RETIREMENT	PENSION STREAM AT AGE 65	TAX ON PENSION STREAM
BILL	\$710,000	\$45,500	\$3,400
JANINE	\$ 490,000	\$30,500	\$450
TOTAL	\$1,200,000	\$76,000	\$3,850

A significant annual taxation saving of \$4,650 per year has been obtained from the combined strategy. The redirection of contributions to Janine together with a withdrawal and re-contribution strategy has ensured that it is only the medicare levy that is payable on her income stream.

ADDITIONALLY IT SHOULD BE NOTED THAT:

- Bill has been able to keep all of his monies within the more flexible allocated pension. Without the strategy Bill would have needed to access his pension RBL.
- An earnings rate within the superannuation fund of 6% has been assumed. The higher the rate the greater the benefit of Bill's superannuation balance being tax free during the five year period.
- In addition to the above, Bill obtains a personal tax benefit of \$6,000 per year during the remaining 5 year employment period due to the 15% pension rebate.

Viewed individually, superannuation splitting and pre retirement pensions are significant concessions to the Australian taxpayer. It is clear however, from the above example, that there is a significant synergy in utilising the two strategies in tandem.



Damien Passmore leads the Lawler Partners Superannuation team and can be contacted for further information via dpassmore@lawlerpartners.com.au or phone 02 4935 6157

Tax Calendar

December 2005

- 21 Payment date of income tax for head companies of consolidated groups that has a member who has been deemed a large/medium business in the latest year a return was lodged.
- 21 Due date for lodgement and payment of November 2005 monthly BAS and IAS.
- 31 Liability for land tax (NSW & VIC) is calculated based on landholdings as at midnight 31 December

January 2006

- 15 Due date for lodgement of tax returns for prior year taxable large and medium companies, superannuation funds and trust payers for the financial year ended 30 June 2005.
- 21 Due date for lodgement and payment of December 2005 monthly BAS and IAS.
- 28 Last day for payment of December quarter employee superannuation contribution to avoid liability for the Super Guarantee Charge.

February 2006

- 21 Due date for lodgement and payment of January 2006 monthly BAS and IAS.
- 28 Due date for lodgement and payment of December 2005 quarterly BAS and IAS.
- 28 Last day for lodgement of an annual GST return or annual information report for GST payers if an annual tax return is not required to be lodged.
- 28 Due date for lodgement and payment of tax returns for prior year non-taxable large and medium companies, superannuation funds and trusts whose financial year ended 30 June 2005.
- 28 Due date for lodgement and payment of tax returns for taxable new registered companies, superannuation funds and trusts whose financial year ended 30 June 2005.
- 28 Due date for lodgement of non-taxable head companies of a consolidated group (including new registrants) that have a member who has been deemed a large/medium business in the year lodged.

INDUSTRIAL Relations Update

WORKPLACE REFORM SEMINARS

As you know, on 9 October 2005, the Federal Government released a detailed paper - **WorkChoices: A New Industrial Relations System** about its proposed industrial reforms. Lawler Partners will ensure our clients are fully informed of the complex changes and how the rights and obligations of employers, employees and unions will be affected by the changes in labour market deregulation. **When then is the best time to discuss the proposed changes?**

We consider January/February 2006 after the expected introduction date of the legislation and minor amendments. Lawler Partners along with our business partners will be holding seminars in early 2006 on Workplace Reform. An invitation will be sent to you at this time to participate in the seminars.

NSW WORKPLACE SURVEILLANCE LEGISLATION

In a recent client alert we outlined the implications for employers in relation to the **NSW Workplace Surveillance Legislation**. In particular we indicated employers should:

- Conduct an audit of the workplace surveillance they currently have in place and identify any procedures or policies that may need to be implemented as a result of the new Act;
- Review all computer use policies to ensure compliance with the new Act;
- Ensure employees, contractors and agency staff are aware of, and understand, those policies.

If you do not have dedicated IT or extensive HR staff we can assist with a simple computer use policy, computer surveillance policy, email and internet blocking policy along with a notice and an explanatory presentation for staff. The total package costs \$725 (inc GST) and has been prepared by a Solicitor.

For further information contact Kylee Dare via kdare@lawlerpartners.com.au or phone 02 4935 6104

CONTACTS

AUDIT

Jeff Abela

T 02 8346 6064

BUSINESS RECOVERY & INSOLVENCY

Sydney: Rob Whitton

T 02 8346 6000

Newcastle: Paul Gidley

T 02 4935 6184

BUSINESS SERVICES

Sydney: Glenn Harris

T 02 8346 6000

Newcastle: Simon Rutherford

T 02 4935 6109

HOSPITALITY & GAMING

Todd Peate

T 02 4928 7009

CORPORATE ADVISORY

Simon Rutherford & Terry Lawler

T 02 4935 6109 T 02 4935 6115

EQUIPMENT FINANCE, INSURANCE PREMIUM FUNDING & MORTGAGE BROKING

Brett Derwin

T 02 4927 5799

FINANCIAL PLANNING & INVESTMENT ADVICE

Mark Arnold

T 02 4928 7000

FIRM & STRATEGY MATTERS

Terry Lawler

T 02 4935 6115

FORENSIC ACCOUNTING & LITIGATION SUPPORT

Ray Tolcher

T 02 4935 6112

INFORMATION TECHNOLOGY

Steve Meyn

T 02 4935 6199

MANAGEMENT CONSULTING - GOVERNMENT

Keith Rogers

T 02 4969 6610

SUPERANNUATION

Damien Passmore

T 02 4935 6157

SMALL BUSINESS

Peter Coughlan

T 02 4935 6113

TAXATION

Darren Shone

T 02 4935 6116

SYDNEY

Level 7, 1 Margaret Street
Sydney NSW 2000 Australia
PO Box 5446 Sydney 2001
T 02 8346 6000 F 02 8346 6099
E info@lawlerpartners.com

NEWCASTLE

763 Hunter Street
Newcastle West NSW 2302 Australia
PO BOX 2368 Dangar 2309
T 02 4962 2688 F 02 4962 3245 DX 4303
E mail@lawlerpartners.com.au

www.lawlerpartners.com.au



"Liability limited by a scheme approved under Professional Standards Legislation"