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New Partner

JR is pleased to announce a new addition to the JR Partnership...

Warwick Face became a partner of Johnston Rorke on 1 January 2009 after joining the firm in July 2008.

Warwick has a broad range of professional and commercial experience including 2 years in the USA across financial reporting,

assurance, corporate finance, financial management and strategy.

At JR, Warwick's core focus is in the provision of corporate finance and assurance services to middle market private, private equity backed and emerging listed companies.

For the 2 years prior to joining JR, he was CFO of Brisbane based ASX listed RP Data Ltd, where he led the company's IPO process, oversaw the completion of 6 acquisitions and integrations, and also managed strong organic growth. Prior to RP Data Ltd, Warwick was a partner with an international firm.

Working alongside our existing corporate and assurance partners – Ross Walker, Jason Evans, Clark Jarrold and Katrina Haiduk, Warwick's appointment further enhances JR's corporate capabilities as a real "partner lead" alternative in the Brisbane marketplace.

Welcome aboard Warwick!



Green Grant Initiatives

The following State and Federal government grants provide incentives to companies involved in the development of new energy processes and reduction of their carbon footprint. Some of the details are still being developed but it is clear that significant funds are available for projects aimed towards "green" innovation.

Queensland Sustainable Energy Innovation Fund (QSEIF)

Benefit:
Up to \$200,000.

Overview:
Assists in funding the development of innovative technologies to reduce the use of fossil fuels and water and thus the reduction of greenhouse gas emissions.

Eligible Projects:
Financial subsidies will be provided towards external cost or materials, testing, engineering, design, patenting and other consulting costs.

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JOHNSTON RORKE
JR
CHARTERED ACCOUNTANTS

OUR PARTNERS

Chris Ball Peter Camenzuli Jason Evans Warwick Face Nigel Fischer Katrina Haiduk Brett Headrick Teresa Hooper
Clark Jarrold Ian Jones Kylie Lamprecht Mark Nicholson Ken Ogden Norman Thurecht Ross Walker

OUR CONTACT DETAILS

Level 30, Central Plaza One 345 Queen Street Brisbane Qld 4000
GPO Box 1144 Brisbane Qld 4001 Phone (07) 3222 8444 Fax (07) 3221 7779

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Queensland Renewable Energy Fund (QREF)

Benefit:

Up to \$50 million.

Overview:

The fund supports the development and deployment of renewable energy technology that is beyond proof of concept.

Eligible Projects:

Projects that relate to innovative renewable technology in Queensland are eligible where they provide a reliable electricity supply, demonstrate linkages between capital investment and local energy supply needs, provide a minimum capacity of 100 kilowatts and power industrial processors with a reduced carbon emissions profile.

Climate Ready Small Grants and Climate Ready Large Grants

Benefit:

Up to \$5 million.

Overview:

A competitive merit-based grant program supporting innovation and its commercialisation of projects which address the negative impacts of climate change.

Eligible Projects:

Must demonstrate appropriate innovation and technical risk in a proposed project which addresses the negative impacts of climate change. Among other criteria, applicants must demonstrate a capacity to fund the other half of project costs.

Renewable Energy Fund

Benefit:

\$500 million fund.

Overview:

Competitive grants that support renewable energy demonstration projects already underway. Includes the Renewable Energy Demonstration Program (REDP), Second Generation Biofuels Research and Development Program, and the Geothermal Drilling Program (grants of up to \$7 million).

Eligible Projects:

Projects that are eligible include:

- 20 dish solar thermal array which delivers >2,000 megawatt hrs/year (depending on location).
- 40 megawatt geothermal power plant which delivers >26,000 megawatt hrs/year (given zero emission power 24hr/day).
- 40 megawatt wave powered generator (operate in all but calm waters).
- Hybrid technology combining renewable energy forms.
- New forms of biomass which transforms municipal and food waste into renewable energy.

National Clean Coal Fund

Benefit:

\$500 million fund.

Overview:

This fund provides Commonwealth support for development and demonstration of clean coal technologies such as coal gasification, carbon capture and storage, oxy firing and post combustion capture.

Eligible Projects:

Further details are yet to be announced.

Energy Innovation Fund

Comprising the Australian Solar Institute Expansion of Solar Thermal Research Capacity, Solar Photovoltaic Research and Development, and Clean Energy Research and Development into Energy Efficiency, Storage and Hydrogen Transport Fuels.

Benefit:

Each is a \$50 million fund.

Overview:

The clean energy program funds activities related to general clean energy research and development into energy efficiency, energy storage and hydrogen transport fuel.

Eligible Projects:

Further details are yet to be announced.

Re-Tooling for Climate Change

Benefit:

Up to \$500,000.

Overview:

Designed to help manufacturers engaged in projects that improve the energy or water efficiency of their processes.

Eligible Projects:

Activities that are supported by the grant are those that are production related changes to the energy or water use of business. Does not include routine replacement or upgrade of equipment, new production facilities or non-production related changes to energy or water use of business.

Green Building Fund

Benefit:

Up to \$200,000.

Overview:

Provides assistance for energy efficient retro-fitting of existing buildings with "green" technologies and support for training initiatives to improve the skills of building operators.

Eligible Projects:

Provides a subsidy of 50 percent of the cost of retro-fitting/retro-commissioning of existing commercial office buildings with energy efficiency initiatives. Priority is given to large buildings of more than 5,000 square metres.

Renewable Energy Rebates, Grants and Infrastructure Assistance

Benefit:

Varies from state to state. Grants of up to \$6 million.

Overview:

Each state/territory government have or are developing a strategy for tackling climate change. Initiatives range from rebates to small and large scale infrastructure grants. Particular emphasis is on increasing the "take up" of green technologies and/or building supply capacity from green sources.

Eligible Projects:

Eligible projects include the installation and commissioning of domestic and commercial size renewable energy technologies. Key focus areas for assistance are projects based on building renewable energy capacity in remote areas and/or investment in new "green" technology research and development.

Other Green Grant Programs

Overview:

There are a number of new green grant programs put forward to lower Australia's greenhouse gas emissions. These include the Climate Change Research Program, and Climate Change Adjustment Assistance.

Eligible Projects:

Further details are yet to be announced.

If you think your company may be eligible, please contact Ian Jones for a review.

Payroll Tax Changes – Payments to Contractors

We continue to outline the payroll tax harmonisation changes which came into operation from 1 July 2008. In this newsletter we look at payments to contractors.

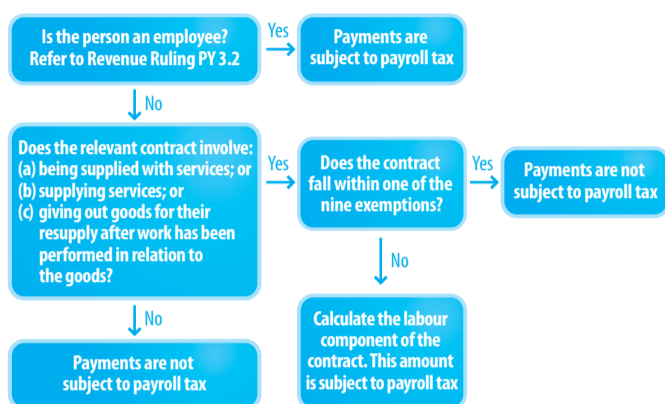
Old Rules

Prior to 1 July 2008 Queensland had no specific rules to deal with payments to contractors. Instead, an anti-avoidance provision was used to deem payments to "employee-like" workers (through interposed entities) as wages.

New Rules

From 1 July 2008 payments under relevant contracts are liable to payroll tax unless one or more of nine exclusions apply.

The flowchart below outlines some steps to help you consider whether payments will be subject to payroll tax under the new provisions.



The following exclusions are designed to exclude payments to genuine independent contractors:

1. The labour that is supplied under the contract is ancillary to the supply or use of goods by a contractor. A contract may provide labour when the supply of goods or the use of goods owned by the contractor is the primary object of the contract.
2. The services supplied under the contract are not ordinarily required by the principal and the contractor renders such services to the general public. Many contracts are for intermittent services required by businesses. The contractor provides such services to other businesses and to the public. A general test is whether the contractor has derived >40% of gross trading income in the financial year from the principal.
3. The services supplied under the contract are services that the principal normally requires for less than 180 days in the financial year. This provision excludes payments made under contracts for a type of service which the principal ordinarily requires for less than 180 days in a financial year.
4. The services that are provided under the contract are provided for 90 days or less in any one financial year. This exclusion applies to contracts where the services are provided for a period or periods which, in aggregate, do not exceed 90 days in a financial year.
5. The Commissioner of State Revenue determines that the contractor provides services of the type provided under the contract to the public generally within that financial year. This exclusion requires an application to the Commissioner requesting his discretion.
6. The contractor engages other persons to fulfil the contract. Under this exclusion, the persons engaged by the contractor must be engaged to perform the actual work that is the object of the contract.
7. Under the contract, the contractor conveys goods in a vehicle they provide. Where there is a contract of goods to be delivered or transported, the exclusion applies when the contractor provides their own vehicle.
8. Under the contract, the contractor procures persons for insurance coverage.
9. Under the contract, the contractor sells goods door to door solely for domestic purposes. This exclusion applies where a person who is a contractor sells goods door to door that are essentially domestic and are sold at the purchaser's residence.

Relevant Contracts – Labour and Non-Labour Components

The Commissioner has discretion to determine a non-labour component where a contractor provides equipment and/or materials.

There will be set deductions for certain classes of relevant contracts, regardless of the actual amount of non-labour charged by the contractor.

For example: Architects: 5%
Bricklayers: 30%
Plumbers: 25%



Ian Jones

New Investment Allowance Tax Deduction

On Tuesday 3 February 2009, the Government announced the introduction of a new investment allowance to boost business investment. This was an enhancement on the previous investment allowance announced in December 2008.

Details of the new allowance have been set out in press releases and the legislation currently remains in draft form. While the concession is referred to as an "allowance" it is in fact an additional tax deduction (temporary tax break).

Small businesses with a turnover of \$2 million a year or less can access the allowance in relation to acquisitions of new assets costing \$1,000 or more. For all other businesses, the asset threshold is \$10,000.

For example, assets cannot be treated as accumulative whereby several smaller items under \$10,000 make up the asset threshold of \$10,000 to access the tax break.

Businesses will be entitled to claim a 30% tax deduction for eligible assets acquired from 13 December 2008 to 30 June 2009 and installed by 30 June 2010. A 10% deduction can be claimed for qualifying assets acquired from 1 July 2009 to 31 December 2009 and installed by 31 December 2010.

Entities that passively hold a small number of assets (for example landlords of commercial/residential rental properties) are not carrying on a business and the tax break is not available.

The basis of the allowance is similar to investment allowances that have existed in the past, being a general once-off deduction of 30% of the cost (or 10% for assets purchased between 1 July 2009 to 31 December 2009).

The allowance will not only apply to new assets, but to new expenditure above the investment threshold on existing assets. In the case of the upgrade of new assets, it is 30% (or 10% depending on upgrade dates) of the cost of any improvement that is reflected in the state or nature of the asset.

The deduction should be allowable in the year in which tax depreciation is first claimed for the cost, which will have to be in either the 2009 or 2010 year.

The investment allowance will only apply to tangible business assets that are subject to the capital allowance (or depreciation) provisions of Division 40 of the Income Tax Assessment Act 1997. It will not apply to trading stock, land or capital works that are subject to the building allowance. The assets must be tangible assets and used in Australia. Intangible assets such as software do not qualify for the tax break.

For example,

- A small business that buys and installs a \$2,000 computer before the end of June 2009 can claim an additional \$600 deduction in its 2008-09 tax return on top of the usual depreciation claim.
- A business that buys and takes possession of a \$60,000 backhoe by the end of June 2009 can claim an additional \$18,000 deduction in its 2008-09 tax return in addition to the usual depreciation claim.

The investment allowance is an added incentive for businesses to proceed with their investment plans in this difficult environment. From past experience with allowances of this nature, there will be critical planning issues based around the timing of capital expenditure and the terms of any contracts that are entered into for that purpose.

The allowance appears to be an additional and once-off tax deduction, rather than an acceleration of depreciation which would affect the quantum and timing of future deductions. We look forward to updating you further once certainty is provided after the law is officially introduced.

In the meantime, please do not hesitate to contact Kylie Lamprecht if you have any questions.

Fringe Benefits Tax and Christmas Parties

Many clients would have held Christmas parties and possibly purchased gifts.

Now the festive season is over it is time to consider the related fringe benefits tax (FBT) implications and the use of the minor benefit exemption, particularly now the threshold has increased to \$300, when preparing your accounts.

Christmas Gifts

Where a gift is provided to an employee at Christmas time (for example a Christmas hamper, bottle of wine, gift voucher, perfumes etc) it may be a minor benefit that is an exempt fringe benefit.

To be a minor benefit, the benefit must have a value of less than \$300. However, a minor benefit that satisfies the less than \$300 threshold is not automatically an exempt benefit. Other factors need to be considered, most importantly the infrequency and irregularity of the benefits.

For example, if monthly payments less than \$300 are made on behalf of an employee, this would be less likely to be treated as a minor exempt benefit as it is being paid on a regular basis. However, if an expense less than \$300 was incurred only a couple of times during the year in relation to an employee, it is more likely to be able to be treated as a minor exempt benefit.

If the gift is greater than \$300 per employee, FBT may be payable.

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Christmas Party

Generally, any social function provided for employees not on an employees' premises is subject to FBT. A Christmas party provided to current employees on your business premises or worksite on a working day may be an exempt benefit. The cost of associates attending the Christmas party is not exempt, unless it is a minor benefit.

The costs associated with Christmas parties held on your business premises will give rise to a taxable fringe benefit for employees and their associates unless the benefits are exempt minor benefits (i.e. less than \$300 per person).

Generally, the cost of providing the Christmas party will be tax deductible only to the extent that it is subject to FBT. If you are a GST registered entity and entitled to claim a tax deduction for the entertainment expenses, you can also claim an input tax credit for the GST. If the benefit is an exempt fringe benefit as it is a minor fringe benefit, then it is not tax deductible and you cannot claim an input tax credit for GST.

When accounting for Christmas parties and other entertainment, you should include as much detail as you can. For example, it pays to narrate the number of employees/associates/clients attending, location of the party and total costs.

FBT rules regarding entertainment and FBT are unfortunately too complex, and common sense does not prevail in its application.

If in doubt about the FBT treatment of expenditure it would be worth discussing it with your JR accountant.



Brett Headrick

What's Happening at JR

Corporate Partners in Excellence Program

JR supports QUT accounting students through a number of programs and initiatives. One of these initiatives is the Corporate Partners in Excellence (CPIE) Program. QUT places high achieving students with participating employers for 12 weeks work experience whilst they undertake their studies. For the past five years, JR has ensured all CPIE students take part in the in-house graduate induction program to ensure they get the most of their 12 week stint in the "real-world". The CPIE Program will begin again in March 2009.

QUT Seminar Series

We open our boardroom doors for the QUT Seminar Series six times a year. This is the perfect opportunity to help university students in years 1 – 3 of their degree to understand the operations of a second tier CA firm in a casual and non-intimidating environment. Currently, no other CA firm undertakes this type of seminar series in Brisbane. JR has been running these sessions exclusively with QUT for the past seven years, with an overwhelming response from students. In September 2008 JR welcomed on board Sherri-Lee as an under-graduate in the Super Division.

QUT High School Program – Years 11 and 12

JR also supports the QUT High School Program. The initiative allows high school students to complete a university accounting subject (during year 12). This in turn provides credit points towards their university degree. Kim Adams (recent Graduate of QUT) is the face and ambassador of the QUT High School Program. Twice a year, Kim addresses 400 high school students on campus to provide real insight on a career in a chartered accounting environment and the benefits of completing a degree as an under-graduate accountant.

Touch Football

With rumours of JR once having had a touch football team – some time around 2005 – when the ICAA advertised their annual touch football tournament there was plenty of support. The day was looking great with 2 teams, a tent, drinks and food, however setting up near the buzzer may have prevented the "relaxing" break between matches achieving the desired effect. Overall the teams performed well, with a few wins, a few draws and a few tired and sore employees the following Monday at work.

Templeton's Golf Day – Cory Charitable Foundation

JR has continued its support of the Cory Charitable Foundation by sponsoring a hole at the annual Templeton's Golf Day at Pelican Waters Golf Course. The Templeton's Golf Day is regarded as the benchmark for corporate golf in Queensland with over 150 of Brisbane's business and professional community in attendance.

A group of four JR representatives Nigel Fischer, Brett Headrick, Lisa Miller and Shannyn Laird spent the day slaving over a hot BBQ to help raise money and awareness for the Cory Charitable Foundation. After a very long but successful day, a cheque for \$11,000 was presented to the Cory Charitable Foundation during the presentation dinner in the evening.

The Cory Charitable Foundation was established in the early 90's by the Cory family who operate the Doboy Cold Stores cold storage facility in Hemmant. The Foundation is designed to support Queensland charities, using a select criteria, to ensure all donations are used to support and fund worthy participants.

The following businesses also donated prizes as part of the fundraising efforts.

- RLMS
- Anise Restaurant / Bar in New Farm
- Nutshell Marketing
- Crowne Plaza
- Club Pelican

Thank you for your support to this worthy cause.

Brisbane to Gold Coast Cycle

If you woke early enough on 12 October 2008, you might have been unlucky enough to see some of the JR men in tight bike shorts sporting the Johnston Rorke logo, a sight that would only fail to look out of place at an event such as a 100km cycle. With a few early flat tyres for James Field (even before crossing the start line) the day looked like it would never end. But after recovering from the early set backs everyone performed well – and although the event was clearly stressed not to be a race, Tony Mutch crossed the finish line before the rest of the JR team in 3 hours and 20 minutes.

Netball

Late last year JR entered a team into the ICAA's annual social netball tournament at Salisbury. Despite the shooting abilities of Kim Adams and Leica Thornbury – and with cheerleader Lisa Miller coaching from the side line – the overall performance definitely fell more into the social category than the netball category, leaving a lot of room for improvement next year.

Manager Appointments

Daniel Fenton – Business Services Division

Dan is an experienced Business Services manager and has joined JR from another mid tier firm in Brisbane. Dan is CA qualified and also involved directly with the Institute of Chartered Accountants as a focus session facilitator and exam marker for a number of course modules.

Dan and his wife Belinda have recently welcomed the birth of their son William into the family and the JR partners would like to extend their congratulations to Dan and Belinda.

Daniel Donner – Corporate/Audit Division

Daniel joins JR's Audit Division as a manager after relocating from north Queensland. He has a number of years experience as an auditor in public practice along with internal audit experience for an ASX listed group of companies.

Matt Edwards – Pharmacy Division

We are pleased to announce the appointment of Matt Edwards as a manager. Matt commenced in the JR Pharmacy division on 12 January 2009. Matt comes to us from another Brisbane accounting firm where he has been managing for three years. He is a keen surfer and hails originally from Coffs Harbour.

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Jocelyn Horton Johnston Rorke GPO Box 1144 BRISBANE QLD 4001 / Phone: (07) 3222 8444 / Fax: (07) 3221 7779 / Email: JHorton@jr.com.au

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