NEWSFLASH BOOKLET

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2005-2006 FINANCIAL YEAR END TAX STRATEGIES

Please note this booklet is updated in May each year. Until the budget is released our strategies for the year are not certain. This booklet is provided to give you some guidelines in planning but please check again in June before you commit.

Tax rates

Thresholds 2005/06	Tax rate	Threshold 2006/07	Tax Rate
0 - 6,000	0	0 – 6,000	0%
6,001 - 21,600	15%	6,001 - 21,600	15%
21,601 - 63,000	30%	21,601 – 70,000	30%
63,001 - 95,000	42%	70,001 – 125,000	42%
95,001 +	47%	125,001 +	47%

With the threshold for the maximum tax bracket increasing to income over $125,000 in 2006/2007 very few people will be in a position to take full advantage of negative gearing arrangements. The incentive is now to earn more money and the value of a tax deduction is reduced. Hopefully this will mean many taxpayers, when considering tax effective investments, will look for a worthwhile return not just a tax break.

The superannuation issues

Ryan's Case – The ATO still accepts the precident set in Ryan's case, that while you can only pay your spouse a commercially realistic wage, if they are not principally involved in the business, you can still claim a full tax deduction if you make a superannuation contribution for them up to their age base limit

Note that if you are caught by the Alienation of Personal Services Income rules you cannot claim a deduction for superannuation contributions for your spouse unless he or she perform work that the client is directly charged for. Full details of the APSI rules are available in a booklet on the free publications section of our web site.

18% Return Overnight Government Guaranteed - The rebate for making super contributions for your spouse is $540 if you contribute $3,000, providing your spouse's assessable (**not** taxable) income is under $10,800 (shading provisions apply after that). If your spouse is retired from the workforce and over 55 years of age, he or she will be entitled to draw all that money straight back out. Effectively netting you an 18% return on an overnight investment. For example on the 30th June you make a $3,000 contribution for your spouse and on 1st July they withdraw the money because they are retired. You still have your money plus another $540 when you do your tax return. Note if your spouse has never held paid employment they will have to wait until they are 65 years of age. Spouse super contributions can only be made until the spouse reaches 65 years of age. The rebate is only available to offset tax so if your taxable income is too low to pay tax this will not benefit you.

Co Contribution – The co contribution income threshold is your reportable fringe benefits plus your assessable income. Assessable income is not taxable income, it generally means your income before tax deductions. In the case of a sole trader this means the turnover of the business or for a sole rental property owner gross rent is included in assessable income without tax deductions. On the other hand if the business is a partnership or the rental property owned by more than 1 person then it is only your share of the net profit that is included in your assessable income. Though a loss cannot reduce assessable income it just has zero effect. Note even though a jointly owned rental property does not require a partnership return to be lodged we recommend that you do this so that the ATO computer will automatically treat your data correctly. Any person jointly in receipt of income is entitled to lodge a partnership tax return. This does not just apply to rental properties, jointly owned shares and units in a unit trust also qualify. Net capital gains and eligible termination payments are also included in assessable income.

Note even though some of the examples above include taxpayers who are in business or are investors, you must be a wage earner to qualify for the Co Contribution so these businesses or investments would only be a secondary source of income.

Examples of Co Contribution entitlements if you contribute $1,000 from after tax dollars:

Assessable income of $28,000 or less receive $1,500 from the Government
$30,000 receive $1,400
$40,000 receive $900
$50,000 receive $400
$58,000 receive $0

Businesses - You must act now on Superannuation Contributions, you will not be entitled to a tax deduction for superannuation contributions for yourself unless they are made before the end of the financial year. But did you know that superannuation contributions owing for employees under the superannuation guarantee are not deductible unless they are made before 30th June, 2005 even though they are not due to be made before 28th July, 2005.

Self Employed or Not Working But Under 65 – If you do not have employer support you can make a tax deductible superannuation contribution for yourself. The first $5,000 is fully tax deductible but only 75% of any amount over that is tax deductible.

Over 65 - From the day you reach 65 years of age qualifying to make a superannuation contribution becomes unnecessarily complicated. Though there are lots of advantages that make it worth looking into. A superannuation fund has the advantage of only paying tax of 15% on its earnings. So it is a good place to keep your money once you are over 55 because if you are ever out of work you can access it, though if you exceed the tax free threshold you may have to pay an extra 16.5% tax. The threshold is indexed each year and is around $130,000. Further under certain circumstances you can receive a tax deduction for the money you put in there. If you or your employer did not receive a tax deduction when the money went in it comes back to you tax free and does not count towards your $130,000 exempt amount.

Much of the restrictions on people over 65 years making a superannuation contribution for themselves revolve around a work test. This means the person must have worked more than 40 hours in a period of 30 days or less in the financial year the contribution is made. Careful here, if you retire at the 30th June and decide to make a superannuation contribution for yourself the very next day you will not meet the work test because the contribution was made in a different financial year.

If you are 65 years of age or over you employer is entitled to make a superannuation contribution for you and claim it as a tax deduction providing it is only the amount your employer is required to contributed under the superannuation guarantee or your award. There is one exception to this rule, if you are less than 69 years of age and satisfy the work test above your employer's contribution is not limited to the guarantee or the award, so you can utilize salary sacrifice.

If you are under 75 years of age but satisfy the work test you are entitled to make a superannuation contributions for yourself. If you do not have employer support and you are less than 70 years of age you are entitled to claim a tax deduction for this contribution.

Age Base Limits – There is a limit to how much superannuation that can be contributed and claimed as a tax deduction each year based on your age. Note if you have two employers each of them can make a contribution up to your age base limit.
Under 35 years of age up to $14,603 35 to 49 years of age up to $40,560 50 to 70 years of age up to $100,587

Protective items

Wage earners may also consider buying, before the 30th June items they will need for work in the following year.

For example protective items such as sunscreen. Basically you can claim for a protective item if, by its nature, it would be reasonable to conclude that it will protect you from the risk of injury or illness in your workplace and that risk is not remote or negligible. This is unlikely to apply to items of clothing that are conventional in nature though if it is used principally for your protection it would qualify as a deduction. An example of this would be moisturiser with sunscreen included. This also opens up the opportunities to claim special non-slip shoes if they are required for your work. You can claim for conventional clothing such as raincoats, woollen underwear and jumpers are protective if your job exposes you to water or extreme temperatures whether mechanical or climatic.

Long sleeve shirts and jeans are not considered protective but this would change if they had reflective stripes, a UV rating or the material was heavy duty and your job necessitated that protection.

Prescription sunglasses are claimable if you need protection from the sun. If the protective item is also used for private purposes, such as sunglasses, a diary should be kept for 1 month so that the cost can be apportioned between business and private use on a time basis.

Start diaries before the end of the year

For a diary to apply to the 2005/2006 financial year it must be started before 30th June, 2006.

Phone - A detailed phone account statement analysing each phone call will substitute for a diary on a mobile phone and for the STD and mobile calls on the home phone but unless your local calls from home are itemised you will have to keep a diary for them. Just divide a piece of paper into two, one side for business and the other side for private. Tick the relevant column when you make a local call. Do this for 1 month to work out the ratio of business to private calls and apply this percentage to the local calls on your phone statement. Phone rental is apportioned on the total dollar value of the business calls as a percentage of all calls. The ATO is getting very pedantic about diaries as it recently was successful in persuading a court to disallow a taxpayer any claim for mobile phone calls because the taxpayer did not have a diary yet the taxpayer used the phone 95% for business.

Electricity - You can claim electricity based on the number of hours you have used a room solely for work related purposes. The rate is 26 cents an hour which also covers the other costs associated with the room such as furniture and carpet wear. You will need to keep a diary for a month to substantiate this claim.

Cars - You can use the kilometre rate if you only want to claim 5,000 kms per car you own. The 5,000 kilometres is per car per owner so if you rotate cars with your spouse and you both use your car for work purposes you can claim up to 10,000kms each.

You may be able to claim for your car if you transport bulky equipment to and from work, if there is no secure storage at work. A claim is also allowable for travel to an abnormal workplace if you have a normal workplace. Also consider travel during the day after you have reached work i.e. banking or travel to another job. In order to be able to make these claims you must have a detailed reasonable estimate of the kilometers travelled and which car you used. This is simply a diary of the trips you did and the kilometres travelled. If the distance is the same every day record the days travelled. A one month diary is ok if this is reflective of the rest of the year but don't forget those one off trips at other times during the year. If you are going to travel considerably further than 5,000km per car consider keeping a log book for 3 months that is started before 30th June. Also keep receipts for all expenses all year and take the speedo reading each 30th June. More details on the record keeping requirements are in our Claiming A Motor Vehicle

Buying equipment to reduce tax

If the equipment is going to be depreciated under normal circumstances there is not much benefit in buying it at the year end because the depreciation claimable is apportioned over the year and life of the item so the deduction would be minimal.

It would be different if you leased the equipment, elected to be in the Simplified Tax System and made 12 months lease payments in advance. You would get a full deduction for those prepayments.

There are concessions for small purchases.

Non STS Businesses – Equipment costing less than $100 (GST exclusive if registered) can be written off immediately.

STS Businesses - Can immediately write off equipment costing less than $1,000 (net of GST if claimable) if the item is part of a set the whole set must be under $1,000.

Wage Earners – Can immediately write off equipment costing less than $300 (GST Inclusive) but all items that are identical must be added together for the $300 test. If an item is part of a set the set must be under $300.

Non STS Businesses - that buy a piece of equipment for less than $1,000 can write 18.75% of the purchase price off in the year of purchase regardless of when it is bought.

STS Business - can write off 15% of any equipment in the year it is purchased if the life expectancy is less than 25 years.

Wage Earners and Rental Property Owners – Can claim 18.75% in the first year, on equipment costing less than $1,000 regardless of when purchase. The threshold for rental property owners is actually $1,000 per owner so a $1,900 hot water system for a property owned by 2 people would qualify.

Payments in advance

Making payments in advance will move deductions from next year into this year, if you are an investor, wage earner or business in the simplified tax system. Don't pay more than a year in advance. Expenses a business could consider are rent, lease payments, advertising etc. Investors and businesses paying interest in advance must make sure it is treated as such by the bank. If you simply pay an amount into the loan account it will be treated as a repayment of principle and not tax deductible. All taxpayers should consider tax-deductible repairs, stock up on office supplies and generally make sure all your bills are paid before 30th June. Businesses not in the simplified tax system can only prepay expenses less than $1,000 (net of GST if registered), wages and payments required by law to be paid 12 months in advance ie vehicle registration.

Crystallising a loss to offset a capital gain update

Losses made on the sale of capital assets cannot be offset against other income, they are quarantined to only be offset against capital gains in the current year or future years. The tragedy is when a gain is made in one year and a loss the following year without any prospect of another capital gain in the near future. Another trap to watch out for is that the gain is taxable in the financial year the agreement to sell is entered into not when title transfers.

A wash sale is when an asset, typically shares, is "sold" but still retained in someway such as selling to a trust you control or a family member. Wash sales allow you to crystallise a loss yet still retain the asset if you think it has a prospect of future gains. The ATO is attacking wash sales that it feels are nothing more than tax avoidance. Though it cannot catch normal dealings so don't do these transactions off market and do not set up a new entity to receive the shares. The ATO would be really struggling to catch you if you sold your shares on the market and by coincidence your spouse purchased a similar parcel the same day. If the reason you want to hold onto the shares is simply due to the industry they are in then sell your loss shares and buy into another company but in the same industry.

Non commercial losses (Div 35)

Division 35 prevents business losses being claimed against other income unless certain conditions are met but there is opportunity in the detail with some of these conditions, for example:

a) If the loss is primary production and the total gross assessable non primary production income is less than $40,000 the loss maybe offset against other income. This concession also applies to a professional arts business. Note the $40,000 does not include capital gains. If the other income is from a partnership, it is only your share of the net profit of the partnership that is added to your assessable income if the partners are natural persons. This makes forming a partnership a very attractive option even if APSI requires you to return the net profit as 100% yours because if you were a sole trader your assessable income would be the total sales of the business before deductions. If you are a wage earner, a partnership will not solve your problem therefore salary sacrificing may be the solution if you are just over the $40,000 limit, but mainly exempt benefits or confessionally treated car benefits. Otherwise the FBT payable at 17% more than your marginal tax rate would erode the advantages of being able to offset the losses.

b) Losses can also be offset against other income if the assessable income from the business activity is at least $20,000. The assessable income is sales plus the increase in stock i.e. closing stock less opening stock. Therefore if you purchase more trading stock you will increase the closing stock and therefore increase the assessable income. Note the trading stock has to be on hand for it to be included in closing stock. So you cannot just order it and bring it into account as a creditor. Buying and selling will also increase assessable income so there are plenty of ideas to work with here. There is also a concession for the first year of trading. If a "reasonable estimate" would conclude that had you been trading for the full year you would have made $20,000 worth of sales plus closing stock (no opening stock in first year) then you are considered to have turned over the $20,000. This also applies to the last year of trading but in that year there will be opening stock.

c) Salary package the expenses relating to the non commercial business. As they are otherwise deductible your employer will not have to pay FBT. This should make the non-commercial business actually profitable but you will have less wages income.

Property investors

In addition to the above property investors should note the following:

Repairs - If you are considering doing repairs to your rental property before the end of the financial year, take care to make sure they will qualify for a full tax deduction. This will not be the case if you replace something in its entirety. For example replace a worn fence a bit at a time over a few years rather than all at once. Replacing all the cupboards in a kitchen so they match rather than just the damaged one will mean that none of the expenditure is deductible on the other hand replacing a vanity can be deductible as a repair if the pipes from the old vanity are used.

Durable items for a rental property normally need to be depreciated over time but if they are under $300 they can be written off immediately. Like items must be added together when applying the $300 test so it may be better to buy one set of curtains this year and wait until July before you buy the next set.

If you are looking to do some repairs to your rental property to reduce your taxable income before the end of the year make sure they qualify as repairs not improvements. For example if the house needed painting when you bought it then painting it would be an improvement or if the house did not have a garden hose then purchasing one would be an improvement and therefore not deductible. On the other hand if during the time of your ownership the hose wears out and you replace it or the paint starts to peel and you repaint, these expenses would be a deduction. A repair can become an improvement if it does not restore things to their original state i.e. replacing a metal roof with tiles. But a change is not always an improvement. The ATO says the cost of removing carpets and polishing the existing floorboards is a deductible repair yet underpinning due to subsidence is considered to be an improvement.

Tree removal is claimable if the trees have become diseased or infested during the time of ownership. Removal is also claimable if the tree is causing damage such as roots interfering with pipes and the damage was not present when you purchased the property. If a tree is removed because it may cause damage in the future or you are fed up with the leaf litter that has always happened since you bought the property, then you are making an improvement which is not deductible.

Take care to perform repairs only when the premises are tenanted or in a period where the property will be tenanted before and after with no private use in the middle It is better not to make repairs in a financial year during which you may not receive any rental income. If a property is used only as a rental property during the whole year then a repair would be fully deductible even though some of the damage may have been done in previous years when the property was used for private purposes

Travel Costs - You are entitled to claim for your travel costs to inspect the property, repair it or collect the rent. Don’t worry, if you do not have a log book or receipts you can use the kilometre method which, depending on the size of the motor in your car, will allow you go claim around 60 cents a kilometre. All you need is a record of the times you travelled to the property and multiply them by the distance between your home and the property or the shops and the property if you are getting materials. There is a 5,000km limit on this method but the limit is per car per owner of the car so if you also use your spouse’s car your limit is extended to 10,000 kilometres. If your spouse also owns the property and you take turns in driving you can claim up to 5,000 kilometres each for the same car but this does not mean you can claim the same trip twice.

Interest etc - Consider prepaying the interest on the rental property loan up to 12 months in advance and get a tax deduction in the year that it is paid. Make sure your bank understands what you are trying to achieve. Simply depositing the amount into the loan account will not work as it will be considered a repayment of the principal.

If you have sold a rental property for less than the debt relating to it you can still claim the interest on the debt as a deduction against your other income. Take care to stay within the guidelines of the two successful cases in this regard. All the net proceeds of the sale should be used to repay as much off the loan as possible. Appear to be unable to repay the loan from the sale of other assets other than the family home. Don’t refinance the loan to extend its term or increase the interest rate. You must appear to be doing all that is possible to eliminate the loan so refinancing to reduce the interest rate is ok. On the other hand if you have to change the loan from principle and interest to interest only because that is the only way you can afford the repayments as you are no longer receiving rent, you may be able to justify changing the loan.

Don’t let the fact that the property has not been rented all year stop you from claiming the expenses relating to it. So you may still want to prepay interest etc on a vacant property if you need the tax deduction. Just as long as it has not been used for private purposes and your intention all year was to use it as a rental property. It may have been empty due to renovations or a suitable tenant could not be found.

Last year this issue was put to rest in Ormiston's case where a property was vacant for 4 years and he was still entitled to deductions totally $70,000 over that period. Ormiston purchased a house he intended to use as a rental property after performing some renovations himself. 4 years down the track he had still not completed the renovations but was entitled to claim expenses such as rates, insurance, interest etc as a tax deduction, for all of the 4 years despite the fact the house never earned a cent of income. He never completed the renovations and sold the property before it was ever rented.

Depreciation - If your domestic rental property was built after 17th July, 1985 you are entitled to claim building depreciation. The rate is 4% for properties constructed before 16th September, 1987 and 2.5% for properties built after that date. This rate is applied to the building costs of the original owner of the building. This information is required by the act to be passed on by each seller of the property. If, and only if you can't find out the original cost of the building you can have it estimated by a quantity surveyor. Many investors think that they will have a quantity surveyor estimate the cost in the hope of getting a higher base for the depreciation. Don't waste your money if you have the original costs as you cannot use the quantity surveyors report. Unlike building depreciation, you can estimate the value of the plant and equipment in a house when you first purchase it. You do not need to use a quantity surveyors report, the ATO will accept a reasonable estimate of the second hand value of items such as carpets, stoves, hot water systems, air conditioners, light fittings, fans, curtains etc

Capital Gains - If you have a purchaser interested in buying your rental property but you don't want the gain to be included in this year's taxable income yet are concerned they may buy elsewhere if you wait till July, give them an option to buy the property after June 30th. Make sure the option price is high enough that they will not back out. They will probably be glad to secure the property at today's prices with settlement date in the future. This strategy also works if you are delaying selling until you have held the property for 12 months to qualify for the 50% discount.

Trusts be warned

Before the end of the financial year all taxpayers who have discretionary trust should execute a minute determining how the profits for the 2006 financial year will be distributed. As the exact amount will not be known this should be done on a percentage basis or by exact amounts with a beneficiary who will receive the balance. Note children under 18 are only allowed to earn $772 in passive income a year before being subject to tax at the top marginal rate. If they also have income from a part time job this amount reduces.

If your trust does not make a profit it is not entitled to distribute franking credits and they will be lost forever. So if your trust receives franked dividends it is important that you do interim accounts to ensure a profit will be made.

Invest in trees vs paying the tax

Taxpayers with large capital gains may consider investing in tree plantations to qualify for an immediate tax deduction to offset the gain. Trouble is the return on the trees is generally lower than other investments of similar risk and the proceeds from the sale of the trees at the end of the 10 year term are subject to normal income tax with no 50% CGT discount. The eventual sale of the trees all in the one financial year will probably push the taxpayer into the 48.5% tax bracket when they may only in the 31.5% the rest of the time. For the 2006 financial year the 31.5% tax bracket stops for every dollar over $63,000 then each dollar is taxed at 43.5% until they go over $95,000 where they will pay 48.5% on each dollar over that amount. In the 2007 financial year taxpayers can earn $70,000 before they start into the 43.5% tax bracket and have to earn over $125,000 before 48.5% applies to each extra dollar earned. The government predicts that by the year 2007 only 10% of the population will be in the 48.5% tax bracket.

Before you go investing in trees or similar tax motivated investments crunch the numbers for your particular circumstances. Below I have crunched the numbers for a person who would have been taxed on all their capital gain at 48.5% and had such a high income over the next 10 years that all their investment income was taxed at 48.5% then when the trees paid up this whole amount was taxed at 48.5%. I have also crunched the numbers for a person who was in the 48.5% for all of the gain and 48.5% for all of the proceeds from the sale of the tress but during the middle years was only taxed at 31.5%.

There are many possible variables you need to re work my calculations putting in the returns and tax brackets you think are most likely to apply to you. For example it would be very unusual for all of the gain and sale proceeds from the trees to be subject to the 48.5% tax bracket. Another consideration is the taxpayer may have a low income spouse so choose to invest the shares in his or her name. Note the trees will have to be in the name of the person who made the capital gain. The numbers are time consuming but not hard. Do not invest in these sorts of investments unless you do the numbers as I believe due to the new tax breaks these investments are not worth it, when you look over the whole 10 years, for the majority of taxpayers.

Lets just see how the numbers stack up. Assuming a gain of $100,000 but after applying the 50% CGT discount only $50,000 is taxable A 50% capital gain can span more than one tax bracket. I have just assumed all of it is taxed at 48.5% this will weigh the calculation in favor of the trees as most taxpayers will have space in their 31.5% bracket for some of the gain.

The following will compare paying the tax and therefore only having $75,750 to invest against not having to pay the tax. Therefore being able to invest the full $100,000, but $50,000 of it must be in trees. The annexure shows how the return on the $75,750 investment is calculated. Please take a close look as even if you do not have a CGT problem working through them will give you an appreciation of the miracle of compounding interest.

No Trees and 48.5% for all 10 years:

According to the calculations in the Annexure at the end of 10 years they have between $131,668.11 and $166,697.29 after tax depending on how good the growth was.

With Trees and 48.5% tax rate for all 10 years:

Instead of paying the tax they could have put half the proceeds ($50,000) into trees and invested the other half as above. The trees are predicted to provide a return of 7% compounded. But in the past they have only returned 5%. Note the return on the trees is income not capital growth so there is no 50% discount.

Return of 5% as per history	$82,350.47	Return of 7% as predicted	$100,483.07
Less Tax 48.5%	39,939.98	Less Tax 48.5%	48,734.29
	42,410.49		51,748.78
Plus $50,000 4% div. & 3% growth	86,909.64	Plus $50,000 4% div. & 6% growth	110,031.21
	129,320.13		161,779.99

The return on the $50,000 was based on the figures in the shares calculation above. To calculate the result if $50,000 was invested instead of $75,750 to net return after tax was divided by 75,750 and multiplied them by 50,000.

So at the end of 10 years they have between $129,320.13 and $161,779.99 after tax depending on how good the growth was.

I think I have already given the trees enough of a head start by picking only moderate returns on the shares. But to be sure lets look at the absolute best case scenario for the trees ie they return 7% and shares only grow by 3%. That's $86,909.64 plus $51,748.78 = $138,658.42 return on the trees as opposed to $131,668.11 on paying the tax and investing all of the net gain into shares.

Conclusion When 48.5% all the time:

Much of a muchness after 10 years but that is only if you are in the maximum tax bracket for 10 years. This will apply to less than 10% of the population. You also need to ask yourself are the trees riskier than the shares you would purchase?

A more likely out come would be 48.5% tax bracket when sold but only 31.5% for next 9 years then pushed into 48.5% bracket in final year.

No Trees 48.5% only when realizing the gains rest of the time 31.5%:

According to the calculations in the Annexure at the end of 10 years they have between $140,585.81 and $177,891.76 after tax depending on how good the growth was.

With Trees and 48.5% tax rate for the first and last year otherwise 31.5%:

Instead of paying the tax they could have put half the proceeds ($50,000) into trees and invested the other half as above. The trees are predicted to provide a return of 7% compounded. But in the past they have only returned 5%. Note the return on the trees is income not capital growth so there is no 50% discount.

Return of 5% as per history	$82,350.47	Return of 7% as predicted	$100,483.07
Less Tax 48.5%	39,939.98	Less Tax 48.5%	48,734.29
	42,410.49		51,748.78
Plus $50,000 4% div. & 3% growth	92,795.91	Plus $50,000 4% div. & 6% growth	117,420.30
	135,206.40		169,169.08

The return on the $50,000 was based on the figures in the shares calculation above. To calculate the result if $50,000 was invested instead of $75,750 to net return after tax was divided by 75,750 and multiplied them by 50,000.

So at the end of 10 years they have between $135,206.40 and $169,169.08 after tax depending on how good the growth was.

Looking at the absolute best case scenario for the trees ie they return 7% and shares only grow by 3%. That's $92,795.91 plus $51,748.78 = $144,544.69 return on the trees as opposed to $140,585.81 on paying the tax and investing all of the net gain into shares.

Conclusion When Only in 48.5% Bracket First and Last Year: This is about Mr or Ms average to high income earner who is not always going to be in the maximum tax bracket. There is very little chance the trees will give them the better outcome especially if only some of the gain is taxed at 48.5%.

Note:

1) The highest possible returns considered in the calculations was 10%. The higher the return on shares the less the argument for trees. .

2) If you need funds quickly you can always sell some of your share portfolio but if you need enough that you need to sell some trees you will be hard pressed to find a buyer as the secondary market is very limited.

Annexure

Note the top up tax referred to below is the difference between the franking credit of 30% and the taxpayers actual rate of tax.

No Trees and 48.5% for all 10 years:

Tax on $50,000 x 48.5% = $24,250.00 Leaves $75,750 to invest for 10 years.

4% Fully Franked Dividend & 3% Growth	4% Fully Franked Dividend & 6% Growth
Yr1 $75,750 x 4% = $3,030	Yr1 $75,750 x 4% = $3,030
Less 18.5% top up tax = $560.55	Less 18.5% top up tax = $560.55
Growth $75,750 x 3% = 2,272.50	Growth $75,750 x 6% = $4,545.00
Yr2 $80,491.95 x 4% = 3,219.64	Yr2 82,764.45 x 4% = $3,310.58
Less 18.5% top up tax $595.63	Less 18.5% top up tax $612.46
Growth 80,491.95 x 3% = 2,414.76	Growth $82,764.45 x 6% = $4,965.87
Yr3 $85,530.72 x 4% = $3,421.23	Yr3 $90,428.44 x 4% = $3,617.14
Less 18.5% top up tax $632.93	Less 18.5% top up tax = $669.17
Growth 85,530.72 x 3% = $2,565.92	Growth 90,428.44 x 6% = $5,425.71
Yr4 $90,884.94 x 4% = $3,635.40	Yr4 $98,802.12 x 4% = $3,952.08
Less 18.5% top up tax = $672.55	Less 18.5% top up tax $731.13
Growth $90,884.94 x 3% = $2,726.55	Growth $98,802.12 x 6% = $5,928.13
Yr5 $96,574.34 x 4% = $3,862.97	Yr5 $107,951.20 x 4% = $4,318.05
Less 18.5% top up tax = $714.65	Less 18.5% top up tax = $798.84
Growth $96,574.34 x 3% = 2,897.23	Growth $107,951.20 x 6% = $6,477.07
Yr6 $102,619.89 x 4% = $4,104.80	Yr6 $117,947.48 x 4% = $4,717.90
Less 18.5% top up tax = $759.39	Less 18.5% top up tax = $872.81
Growth $102,619.89 x 3% = $3,078.60	Growth $117,947.48 x 6% = $7,076.85
Yr7 $109,043.90 x 4% = $4,361.76	Yr7 $128,869.42 x 4% = $5,154.78

Less 18.5% top up tax = 806.93
Growth $109,043.90 x 3% = $3,271.32
Yr8 $115,870.05 x 4% = $4,634.80
Less 18.5% top up tax = $857.44
Growth $115,870.05 x 3% = $3,476.10
Yr9 $123,123.51 x 4% = $4,924.94
Less 18.5% top up tax = $911.11
Growth $123,123.51 x 3% = $3,693.71
Yr10 $130,831.05 x 4% = $5,233.24
Less 18.5% top up tax = $968.15
Growth $130,831.05 x 3% = $3,924.93
End of 10 years Investment worth $139,021.07 with CGT payable on growth of $30,321.62 x 50% = $15,160.81 x 48.5% = $7,352.99 = $131,668.11 Net worth after tax.

Less 18.5% top up tax = $953.63
Growth $128,869.42 x 6% = $7,732.17
Yr8 $140,802.74 x 4% = $5,632.11
Less 18.5% top up tax = $1,041.94
Growth $140,802.74 x 6% = $8,448.16
Yr9 $153,841.07 x 4% = $6,153.64
Less 18.5% top up tax = $1,138.42
Growth $153,841.07 x 6% = $9,230.46
Yr10 $168,086.75 x 4% = $6,723.47
Less 18.5% top up tax = $1,243.84
Growth $168,086.75 x 6% = $10,085.21
End of 10 years Investment worth $183,651.59 with CGT payable on growth of $69,914.63 x 50% = 34,957.32 x 48.5% = $16,954.30 = $166,697.29 Net worth after tax

No Trees 48.5% only when realizing the gains rest of the time 31.5%:
Tax on $50,000 x 48.5% = $24,250.00 Leaves $75,750 to invest for 10 years.

4% Fully Franked Dividend & 3% Growth
Yr1 $75,750 x 4% = $3,030
Less 1.5% top up tax = $45.45
Growth $75,750 x 3% = 2,272.50
Yr2 $81,007.05 x 4% = $3,240.28
Less 1.5% top up tax $48.60
Growth $81,007.05 x 3% = $2,430.21
Yr3 $86,628.94 x 4% = $3,465.16
Less 1.5% top up tax $51.98
Growth $86,628.94 x 3% = $2,598.87
Yr4 $92,640.99 x 4% = $3,705.64
Less 1.5% top up tax = $55.58
Growth $92,640.99 x 3% = $2,779.23
Yr5 $99,070.28 x 4% = $3,962.81
Less 1.5% top up tax = $59.44
Growth $99,070.28 x 3% = $2,972.11
Yr6 $105,945.76 x 4% = $4,237.83
Less 1.5% top up tax = $63.57
Growth $105,945.76 x 3% = $3,178.37
Yr7 $113,298.39 x 4% = $4,531.94
Less 1.5% top up tax = $67.98
Growth $113,298.39 x 3% = $3,398.95
Yr8 $121,161.30 x 4% = $4,846.45
Less 1.5% top up tax = $72.70
Growth $121,161.30 x 3% = $3,634.84
Yr9 $129,569.89 x 4% = $5,182.80
Less 1.5% top up tax = $77.74
Growth $129,569.89 x 3% = $3,887.10
Yr10 $138,562.05 x 4% = $5,542.48
Less 1.5% top up tax = $83.14
Growth $138,562.05 x 3% = $4,156.86
End of 10 years Investment worth $148,178.25 with CGT payable on growth of $31,309.04 x 50% = $15,654.52 x 48.5% = $7,592.44 = $140,585.81 Net worth after tax.

4% Fully Franked Dividend & 6% Growth
Yr1 $75,750 x 4% = $3,030
Less 1.5% top up tax = $45.45
Growth $75,750 x 6% = $4,545.00
Yr2 $83,279.55 x 4% = $3,331.18
Less 1.5% top up tax $49.97
Growth $83,279.55 x 6% = $4,996.77
Yr3 $91,557.53 x 4% = $3,662.30
Less 1.5% top up tax = $54.93
Growth $91,557.53 x 6% = $5,493.45
Yr4 $100,658.35 x 4% = $4,026.33
Less 1.5% top up tax $60.39
Growth $100,658.35 x 6% = $6,039.50
Yr5 $110,663.79 x 4% = $4,426.55
Less 1.5% top up tax = $66.40
Growth $110,663.79 x 6% = $6,639.83
Yr6 $121,663.77 x 4% = $4,866.55
Less 1.5% top up tax = $73.00
Growth $121,663.77 x 6% = $7,299.83
Yr7 $133,757.15 x 4% = $5,350.29
Less 1.5% top up tax = $80.25
Growth $133,757.15 x 6% = $8,025.43
Yr8 $147,052.62 x 4% = $5,882.10
Less 1.5% top up tax = $88.23
Growth $147,052.62 x 6% = $8,823.16
Yr9 $161,669.65 x 4% = $6,466.79
Less 1.5% top up tax = $97.00
Growth $161,669.65 x 6% = $9,700.18
Yr10 $177,739.62 x 4% = $7,109.58
Less 1.5% top up tax = $106.64
Growth $177,739.62 x 6% = $10,664.38
End of 10 years Investment worth $195,406.94 with CGT payable on growth of $72,227.53 x 50% = $36,113.77 x 48.5% = $17,515.18 = $177,891.76 Net worth after tax

Back Issues & Booklets

To obtain free back issues of the fortnightly BAN TACS Newsflash or any of the following booklets visit our web site at www.bantacs.com.au/publications.php. You can also subscribe to our Newsflash reminder.

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some **work** others **network**

learn how to drastically advance your financial future

through property and personal investment

Australian Property Investors Network (APIN)

www.apin.com.au

What does **APIN** offer ?

Seminars & Workshops

Why is that most people aren't taught how to be rich or happy? We are trained to do most things in our lives, in order to do them well enough to get by. We are taught how to read and write, how to cook, how to drive. We are taught how to do incredibly complex and challenging tasks like designing and building bridges over wide spaces, how to cure diseases, to fly airplanes, yet when it comes to creating personal wealth and happiness, we're left to find out for ourselves.

There's another, more subtle reason why most people don't achieve wealth and happiness. Deep down they don't believe that there is a choice to be made between being rich and being happy. They believe that somehow you can't have both, which is why in the end they don't get either.

The money that slips through your fingers could make you wealthy if spent more wisely.

Our free seminars and information evenings will provide you with leading edge valuable and up to date information. As a bonus you will be able to meet other like minded people who are either starting out on the road to success or are avid investors sharpening their investment knowledge. As a further advantage we encourage you to meet and freely talk with our alliance partners. These hand picked people both male and female are leaders in their own right, they are also licensed, qualified and independent.

These evenings are fun and informative plus you will have access to lots of support material in the form of e-books, books and cd's on a wide range of topics. Come and learn the many strategies used by successful investors NO SECRETS just sensible plain English techniques that really work in any market at any time.

Education

It's true what they say "*the difference between the rich and poor is what they know and what they do*". Property is more than houses and unit investing. Do you know how to buy a property using an option, how about knowing all the ins and outs of being your own "DIY Developer"?

There are many ways to make money in real estate and with the correct tools and strategies you too can play with the best.

TIME x INTENSITY = SUCCESS.

You can't expect to get results in life if you have all the information but fail to apply the principles needed to succeed.

Our programs, e-book, books and home study kits will give you the ability to learn and gather what you need at your own pace in your own time. We encourage you to learn from our expert alliance partners all that you can, so when you are ready to act you will have the education to get into your first investment or do your own JV building renovation makeover.

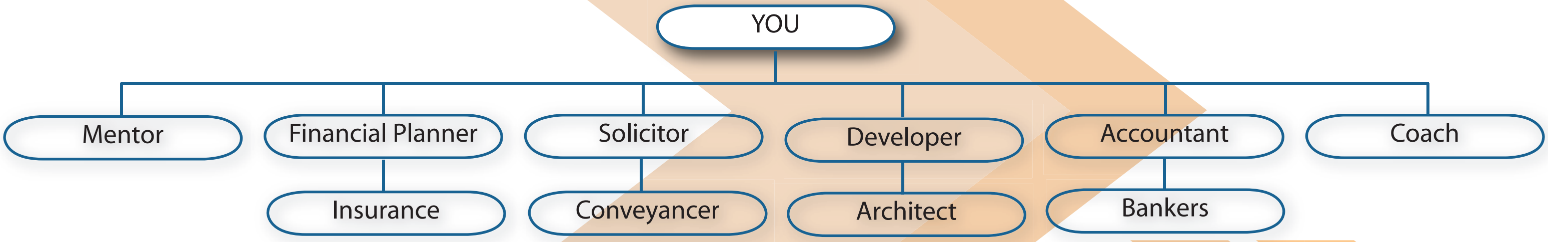
On going Support

Through APIN's Alliance Partners and Discussion Forums you can fortify your ideas and gain strength by exchanging information. Creating alliances generates business opportunities increasing your network and of course - your cashflow.

We have a mentoring service for those that are not quite ready to take those steps without guidance, extra information and some affirmation. Helping you to create a "*safe*" environment for your first steps.

Who is on your team?

When looking at people who are successful, you will notice they have a hand selected group of people to support and advise throughtout the journey to success.



Property Opportunities

Through our Australia wide network we select opportunities that "stack up". We use an independent Research company (Guardian) who are licensed financial planners and real estate agents to use our pre selection due diligence program. From investment properties, development sites, future land subdivisions, building makeovers to even golf course resort projects.

APIN also align ourselves with a select group of builders and developers where we negotiate wholesale purchasing, saving you 10% off the retail price. These opportunities are not available to the public but only members of the APIN site. We can introduce you to the key people who are experts in their fields, saving you thousands of hours of frustration and heartache. Very shortly APIN will also be offering FREE property advertising on our site through resisearch.com who are one of our alliance companies. APIN is fast becoming the most exciting site in Australia.

Australian Property Investors Network (APIN)

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