

CARDELL NEWSLETTER

WELCOME TO CARDELL NEWSLETTER

You are currently reading the first edition of the Cardell Newsletter.

Our clients rely on us for current and precise advice on

many issues including taxation and business matters. This newsletter should be a welcome addition as a way of keeping you informed.

We will endeavour to explain

various issues in laymen's terms and provide updates on taxation legislation.

Specific tax advice is the best policy. Watch this space for the latest in tax.



**Chartered
Accountants**

Accountants

- Bob Cardell, FCA
- Barry Hughes, CA
- Marcus Bond, CA
- Daniel Ryan, CA
- Lynne Nicholas, NIA
- Rebecca Bond, CA

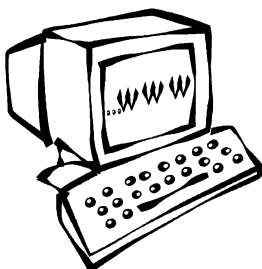
Coming Events:

Super Confusion Forum
6th March, 2007

Audit Workshop
27th March, 2007

Super Forum—DIY Funds
17th April, 2007

Audit Workshop
22nd May, 2007



We are only a click away.

BUSINESS FORUM - GREAT SUCCESS

Our first Business Forum was a great success.

A wide representation of our business clients attended a presentation on taxation and other issues which have a high priority with our clients. Topics like Taxation Rates, Accounting, Audit, Capital Gains Tax and Superannuation were presented with an array of interesting facts and issues.

Our speakers for the night were Bob Cardell, Barry Hughes and Marcus Bond who all did a great job presenting the evening's topics. We may have covered some serious topics in the presentation, but it was not all business. Four

lucky attendees walked away with the most coveted door prizes of chocolate and wine.

After the presentation, Bob introduced clients to old and new staff members and we all enjoyed a late supper together. Clients and staff had the opportunity to chat and socialise.

We received many positive responses throughout the night and on our questionnaire and we thank everyone who participated for their attention and feedback. We look forward to providing you with more forums and workshops.



Bob explaining the finer aspects of taxation.



Everyone enjoyed a drink and a chat.

CARDELL WEBSITE

Visit us at
www.cardell.com.au

We are pleased to announce the launch of our website.

As part of our continuous efforts to communicate current accounting and taxation information to our clients, we have established our own website.

You will be able to peruse our extensive list of services and accreditations. In the "About Us" section, you can read our company history as well as staff profiles. We also plan to make a wide range of articles available on the website including our newsletters.

On our Links page you will find

quick access to many useful sites such as Withholding Calculator, Check an ABN and the Woolamai Surf Report.

If you have a query but no time to come in to the office, you can send us a message from the "Contact Us" section.

See you on the World Wide Web.

SUPER CONFUSION

Are you Super confused?

According to the Herald Sun you are not alone. In a recent survey conducted by Newspoll, some 74 per cent of 400 self-described semi and fully retired Australian adults over the age of 55 reported little or no knowledge of changes to superannuation laws introduced to Parliament in December.

The survey indicates that retirees will still need to seek pro-

fessional advice to ensure that they receive the full benefit of the super changes.

The changes to superannuation laws are designed to simplify super. The changes will include incentives to work and save and introduce greater flexibility of how and when to draw down superannuation in retirement.

In an effort to unlock the mysteries of the changes to super

and superannuation law in general, we are conducting a Super Forum on 6th March, 2007 at the Wonthaggi Golf Club. We are also conducting a special Super Forum for clients with an interest in Self-Managed Super Funds on 17th April, 2007.

Call us on 5672 3722 to register your interest in either or both forums.



How is your Super growing?

RENTAL PROPERTIES

Deductible expenses, do you know what they are?

The income or loss from a rental property is brought to account in the owner's income tax return based on the simple formula:

Gross Income less Expenses equals Taxable Income

Gross Income is the amount paid by tenants before any deductions. If the rental property is managed by an agent then it is the amount of gross rent paid by the occupant before deducting the agent's fees.

Expenses, to be deductible, must be incurred in producing or preserving the income earning capability of the property. These include rates, insurance, gardening, repairs and maintenance and agents fees.

Interest on a loan used in the purchase of or financing of

expenses related to the property is also claimable. However, only the interest portion is claimable, not the total of principal repayments.

As mentioned, repairs and maintenance can be claimed as a full deduction but some expenses may be viewed as capital improvements and these can only be claimed through depreciation. For example if you strip out a 1950's kitchen and replace it, such an exercise would be regarded as a capital improvement for tax purposes. Alternatively, if you stripped the tiles in the bathroom and replaced them (may be in a more modern tile but still essentially like for like) then this would be treated as a repair.

Note that any repairs undertaken after the purchase of a property but before a tenant is installed must be treated as capital improvements. Repairs

made between the termination of one tenancy and before the commencement of a new tenancy are claimable in full.

Capital improvements to a property are regarded as having a life of 40 years and are depreciated at a rate of 2.5% per year. In the tax year of the improvement a proportional amount will be claimable from the date the improvement was completed to 30 June of that tax year.

The original building cost may also be claimed through this depreciation method, provided you know cost and date the building was completed. Depreciation can then be claimed at the 2.5% rate for up to 40 years from the building's completion date. The assumption is that previous owners may have claimed an expense so you may only claim for the remaining life e.g. for a house built in 1990 which you pur-

“Are you depreciating the assets of your rental property such as hot water service, stove or floor coverings?”

chase as a rental property in 2005, you may claim depreciation at 2.5% each year from 2005 to 2030.

Other assets replaced in a rental property may also be depreciated e.g. floor coverings, drapes and curtains, stoves and water heaters. These assets have varying useful lives for tax purposes and their depreciation rates vary accordingly.

When you sell the property, it may be subject to Capital Gains tax. We will cover this aspect in the next newsletter.

Cardell Accountants

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