

Tax and Finance

THE end of financial year is approaching and it is a time to consider how to reduce the tax burden and capitalise on any new government tax allowances.

With the taxation system ever more complex it has become necessary to seek qualified help, an organisation or individual that understands rural businesses and can offer the best assistance in tax and financial matters.

As with most seasons in WA, not everybody has a good crop or enough rain to fill the dams, which can put farm enterprises and families under pressure.

This tax and finance feature focuses on financial institutions, a free phone hotline for those facing financial difficulty for one reason or another, as well as general finance or tax-related articles.



Free financial advice service much in demand

ANYONE needing free general financial advice had better hurry.

The Financial Planning Association's (FPA) Ask an Expert online advice service will close on June 19.

Already over 180 Australians, including 61 people from WA, have asked a panel of financial planners for general financial advice, free of charge.

FPA CEO Jo-Anne Bloch said in this difficult economic climate, people need advice, so it's important to get online before June 19 to ask an expert. (www.goodadvice.com.au).

"The economic downturn has created a huge amount of uncertainty for many Australians and their families," Ms Bloch said.

"People are concerned about their financial situation and now more than ever, need valuable financial advice.

"As part of the FPA's Financial Planning Week (FP Week) 2009, the FPA launched its free online service 'Ask an Expert', to give consumers a chance to seek general financial advice at a time when it's needed the most."

Last year, the 'Ask an Expert' service received more than 350 questions from concerned Australians.

With only two weeks remaining for the 2009 Ask an Expert, the FPA, the peak professional body for financial planning in Australia, is urging Australians to get online and make the most of this opportunity.

Through the FPA's online service 'Ask an Expert', consumers submit questions via email, asking for general financial advice.

Questions so far are covering topics as diverse as superannuation, mortgages and the First Home Owners Grant, retirement, tax, budgeting, investments and more.

Answers given by FPA volunteers will be limited to general advice which does not take into account the personal circumstances of those asking the questions.

Consumers will be encouraged to seek personal financial advice from professional financial planners where appropriate.

To 'Ask an Expert' go to www.goodadvice.com.au.



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Pay off debts early

By **DAVID BURTON**
Commodity Hedging



□ David Burton

IF you study interest rates when the Labor Party is in power, you will find that they are at their highest.

Of course that's great if you are a follower of the methods of WD Gann, because you have no debt and have large cash reserves for the high rate years.

When Labor got in in 1972, interest rates started to go up.

In the 1980s rates got as high as 18pc and stayed high until 1993.

I would expect rates to start going up and stay up until 2015, one year before the depression bottoms.

What the Government hasn't worked out is that demand is going to drop like they have never seen before as people pay off debt and the budget will go from \$200 billion to \$500b by 2020.

If the Liberals get in, it will take them 30 or 40 years to pay off Labor's reckless spending. It took the Liberals 10 years to pay off \$90b, to pay off \$200b will take 40 years.

Eighteen per cent interest rates will force many companies to the wall, as well as unemployment figures well over 25pc.

You just need to have no debt and have cash reserves for the future.

As Gann said, the need for money is often spending more than you earn.

Too bad Labor can't learn from Gann.

The USA has more than \$65 trillion worth of debt. The cycle is coming off higher rates as hyper-inflation set in.

This will force the stock market to much lower levels than people ever expected. The month of May is a good time to sell; as they say, "sell in May and go away".

Companies on the share market are issuing more shares because they can't raise capital from the banks.

This means they are in financial trouble and they want the public to fund them.

There are hundreds of companies that have to go broke yet, you just wouldn't know which ones.

This is why I prefer to trade commodities. No one needs a share to live or to make money. I

haven't had a share for 17 years.

□ **Why they want you in debt.**

Money is great for governments, they print a \$100 note for six cents, charge interest on it to bank who in turn charge interest to the people with debt.

They never want you to pay off debt because, say if the government lends money to the bank at 8pc, that means they make \$8/\$100 of debt which is 13,000pc return on 6c/annum .. and by the time it gets to 19pc on a credit card it is 31,000pc return between the bank and the government.

Why would you want the masses debt-free?

I wouldn't; it's a great money spinner and of course the government gets a lot of the money back in taxes as well so it makes a very big killing.

Debt is the same as death; it will kill you in the end. Money has been lent out in some cases \$50 to \$1. That means only two people in 100 will survive this downturn.

If everyone in the world, including governments, wanted to pay their debts off today it couldn't be done as there is more debt than there is paper money.

Plus the money wouldn't be spent and the economy would collapse further than what it is doing today.

So get in early and pay off debts before the masses get on it, otherwise you won't have a job if they stop spending on credit.

The cycles are pointing to a great depression between 2016 and 2020.

□ **More information: phone David Burton**

Warning on uncommercial arrangements

THE Tax Office (ATO) has issued a taxpayer alert warning businesses to be wary of arrangements that attempt to claim inflated deductions for uncommercial insurance expenses.

Tax commissioner Michael D'Ascenzo said the ATO has doubts about the legitimacy of these arrangements as they aim to inappropriately reduce taxable income by claiming excessive tax deductions.

"We know these arrangements are in the market and we are warning businesses to be cautious about entering into them as they may be ineffective under the law," Mr D'Ascenzo said.

"People involved in or considering these arrangements should be aware they face close examination by the Tax Office".

Under these arrangements, payments

described as "insurance premiums" are excessive in relation to the coverage provided and feature no significant transfer of insurance risk.

The dominant purpose of the arrangement appears to be an artificial and contrived attempt to convert a financial investment in a related tax haven entity into the form of a tax deductible insurance premium.

Taxpayers who are unsure about their situation should seek independent advice or contact the ATO for a private ruling on their individual circumstances.

Taxpayers who have claimed deductions for these uncommercial insurance expenses who contact the ATO before they are contacted for an audit will be entitled to a reduction in any penalties that may apply.

Deadline looms for tax bonus payments

WITH around 500,000 people who may be eligible for the tax bonus payment yet to lodge their 2007-08 tax return, the Tax Office is reminding people to lodge before time runs out.

Acting Tax Commissioner David Butler said it's important for people who think they are eligible and haven't lodged to make arrangements now.

"If you don't lodge your return by June 30, 2009 you will miss out on the payment, unless you already have an extension," Mr Butler said.

"E-tax is a quick and easy way to lodge your return, but you need to act fast as it will close on May 31, 2009.

"People will still be able to lodge until June 30, 2009 through their tax agent or by post.

"You may want to consider providing your bank account details on your return to get your payment sooner."

The payments are being made automatically based on details from 2007-08 tax returns.

Call centres are open Monday to Friday, 8am to 6pm, to answer any tax bonus payment questions.

□ **How to lodge**

You can lodge through e-tax until May 31, 2009; it is available from www.ato.gov.au

To lodge by paper you will need a copy of TaxPack 2008, which can be downloaded from www.ato.gov.au or you can pick up a copy from Tax Office shopfronts.