

MINIMISE taxes by spending MORE NOW.

By spending MORE NOW, even borrowing to pay off your Exponential Programs you could save THOUSANDS of DOLLARS...



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Gary Tumminello has a BTax (UNSW), and to be sure his knowledge is constantly updated since he joined the Taxation Institute of Australia, National Institute of Accountants, and CPA Australia.

Gary has also worked as a production manager in private enterprise for over 15 years, so if you need help in getting your business back on track, he's the one to ask. If you are stock market investor and want some taxation planning advice, Gary has extensive direct experience in stock market trading, residential and commercial investments, options, futures, CFDs, as well as overseas mutual funds.

Based in Sydney's northern suburbs GTax Accounting, for the past 10 years have proactively provided tax advice, accounting, and bookkeeping services to more than 1800 individuals, 120 companies, and 14 superannuation firms through experienced, friendly, tax professionals who remain technically updated on a weekly basis, that can come to you, to help you increase your hard earned wealth, and reduce your tax to the max, while giving all individuals and small businesses peace of mind.

I knew this would get your attention. Minimising taxes is the fastest, easiest and most powerful way to save your hard-earned profits.

Did you know that Exponential Programs products and services are eligible tax deductions as corporate operating expenses (saving 30%), OR as eligible educational expenses if claimed personally, and are most beneficial if you are in the top marginal tax rate (45%)? On top of this there's a further saving of 1.5% being the Medicare Levy. And if you are not in a private health fund, you can possibly save a further 1%!

Now you know!

Section 8-1 of the ITAA 1997 (Income Tax Assessment Act (1997)) allows a deduction for expenses that have sufficient nexus to the production of assessable income. However, a deduction is only allowed to the extent that it is not capital, private or domestic in nature. If the expense enables you to better discharge your existing duties, or increase your business's income, then it's tax deductible.

Stay with me – I promise I won't get too technical or get into incomprehensible legalese...

A deduction for self-education expenses is limited under section 82A of the Income Tax Assessment Act 1936 (ITAA 1936) to the net amount of expenses that exceeds \$250, however, the courses supplied by Exponential Programs are exempt from this since they are not a "prescribed course of education" but rather a work related series of seminars, workshops, products and services.





Co-author: Dr Marc Dussault

Dr Marc R Dussault is an award-winning author, recipient of several marketing awards as well as a finalist for an Entrepreneur of the Year Award, a serial entrepreneur and accomplished business executive. Founder of numerous successful businesses, Dr Dussault has experience in a wide variety of industries and geographic regions including North America, Europe, Australia and Asia pacific. Dr Dussault has been a public company CEO and director, as well as business development manager of a global IT software company.

A Fellow of the Australian Institute of Management, Dr Dussault is also the recipient of the highly acclaimed Company Directors Course Diploma 2005 bestowed upon him by the highly respected Australian Institute of Company Directors.

Combining a unique blend of academic excellence in engineering, business and law with an entrepreneurial flair and breadth of experience acquired over the past 25 years, Dr Dussault has consulted to hundreds of entrepreneurial companies as an exponential growth strategist to assist business owners to unshackle themselves from the day-to-day operations of their companies, catapult their success and achieve personal and financial freedom.

Also, Taxation Ruling 98/9 indicates that it's not just the tuition fees that are deductible, but also some associated costs such as travel, and interest on money borrowed to pay for the courses. It just needs to have a necessary connection to the production of your assessable income. It can't be something that will open up a new income earning activity or create new employment.

Example of tax savings

Ted earns \$85,000 pa, and is married to Joy who earned \$20,000, and they have one child. No private health cover. By planning his expenditure, Ted can get a refund of \$2,925 in his next tax return.

By spending only \$5,000 on his professional development the total family income went from \$105,000 to \$100,000 thereby avoiding the excess Medicare levy of 1.0% on his normal taxable income of \$85,000. He knew that there was also a tax benefit of 41.5% since that is his marginal rate and he's eligible for more Family Tax Benefits...

Without getting into the maths and accounting details – what's important here is that Ted invested \$5,000 and the ATO gave him back \$2,925 as tax refund – that's like Ted paying \$2,075 for the \$5,000 event, product or service – a WHOPPING 58.5% DISCOUNT!

Some people operate their business through a corporate structure but are taxed at personal marginal rates. Why? Because there's an alienation of personal services income measure in Division 87, ITAA97. This means unless you pass some specific tests, the tax deductions are limited and essentially all profits in the corporation are taxed as personal tax.

Ouch.

A dollar saved in tax is the same as a DOLLAR OF PROFIT. In fact, for an individual, the \$1 in tax savings is worth nearly \$2 of income that was needed to make it...



The table below shows how much value tax savings are worth:

Marginal tax rate	Individual 30%	Individual 40%	Individual 45%
Cost of holiday / second car	\$10,000	\$10,000	\$10,000
Tax paid to get \$10K net	-\$4,599	-\$7,094	-\$8,692
Real cost of a holiday or second car	\$14,599	\$17,094	\$18,692
Cost of Exponential Programs Program	\$10,000	\$10,000	\$10,000
Tax paid to get \$10K net	-\$4,599	-\$7,094	-\$8,692
Cost of course before tax benefit	\$14,599	\$17,094	\$18,692
Tax savings	\$3,150	\$4,150	\$4,650
Net cost of course	\$11,449	\$12,944	\$14,042
<i>Total NET difference</i>	<i>\$3,150</i>	<i>\$4,150</i>	<i>\$4,650</i>
<i>Total % NET difference</i>	<i>31.5%</i>	<i>41.5%</i>	<i>46.59%</i>

Get the deduction RIGHT NOW rather than MUCH later

Assumed no other deductions and that the educational expense is related to work

Taxes are applied on a sliding scale depending on the amount of income you earn. The more you earn, the higher the rate of tax, called your marginal tax rate.

So if you are in a higher tax bracket you get more benefit from expenditure on work related outgoings. However, as part of the recent election promises individual tax rate brackets (thresholds) are being reduced. Compare this FINANCIAL year with next FINANCIAL year in the following table.

2007/08		2008/09	
Personal Taxable Income Thresholds	Tax Rate	Personal Taxable Income Thresholds	Tax Rate
0 to \$6000	NIL	0 to \$6000	NIL
\$6001 to \$30000	15%	\$6001 to \$34000	15%
\$30001 to \$75000	30%	\$34001 to \$80000	30%
\$75001 to \$150000	40%	\$80001 to \$180000	40%
Greater than \$150000	45%	Greater than \$180000	45%



This means the value of your deduction is having less impact each year since the tax thresholds are increasing. So it makes sense to claim the deductions as soon as possible, before the value of the savings is deflated.

WHEN you plan ahead, tax issues can be resolved by utilising different types of deductions – e.g. negative gearing. You could even BORROW the money and prepay the interest. A good plan if you have a capital gain that needs to be offset.

This is what an exponentially-minded person does.

Plan NOW to pay less, A LOT LESS later.

Tax planning consideration should be given to TIMING of expenses. For example, if you don't plan and you pay for a course out of your pocket in July, then it will be a full twelve months (or more!) before it is recouped as a tax benefit. BUT...

If it was expended in June then the tax advantage is received as soon as the tax return is completed, if you're proactive that can be within weeks...

That being said, prepayment of fees may be subject to section 82KZM of the ITAA 1936, which applies where the expenditure is incurred by a non-business taxpayer under an agreement for services, which will not be completed within 13 months after the day the expenditure is incurred. An exception is where the deductible amount of the expense is less than \$1,000¹.

Therefore, most programs can be pre-paid and your refund accelerated using this simple, legal and total legitimate strategy that your tax accountant or advisor can assist you with. Gary Tuminello is always available to discuss this, he can be reached at gary@gtax.com.au.

Another exponential approach to saving tax – salary sacrificing

Salary packaging is an arrangement between an employee and an employer, whereby the employee asks to forgo part of his or her future entitlement to salary or wages in return for the employer to provide him or her with benefits of a similar cost.

Please note: The arrangement should be entered into before you perform the work. If the arrangement is put into place after the work has been performed, the salary sacrifice arrangement may be ineffective.

There is no restriction on the types of benefits that can be sacrificed. The types of benefits generally provided in salary sacrifice arrangements by employers include fringe benefits, exempt benefits and superannuation. Education expenses relating to the business would be concessional tax since they are otherwise deductible².

The point of packaging is to ensure that there is no income tax applied to the benefit. There can be incentives to package if the non-cash benefits are exempt or concessional valued for Fringe Benefits Tax purposes. The salary will appear to be lower and therefore reduce PAYG withholding tax, increase government entitlements such as Family Tax Assistance, and reducing the tax on the higher incomes.



If you own your own corporation then all the GST input credits will be claimable as well. Spend it in the June month and collect the credits in the Business Activity Statement lodged in July, and if you borrowed money to pay for the course then any prepaid interest is deductible as well.

To claim an input tax credit you must make a creditable acquisition³ for a creditable purpose. The expense needs to be related to the production of a creditable supply that is not input taxed or private or domestic in nature.

An example of this advantage is below:

An education expense is \$10,000. Rather than pay wages to yourself it is better to reduce the profit by \$10,000, saving \$3,000 in tax. The input credits returned to the company are \$909.

What this means in plain simple English is:

If you are investing for personal or professional development to acquire an Exponential Mindset™, what better way to start the process than using exponential tax management strategies to reduce the net cost to you NOW rather than later?

This is what an Exponential Mindset™ is all about. Doing out-of-the-ordinary things to get extra-ordinary results.

WARNING! These strategies are totally legal, legitimate and endorsed by the Australian Tax Office. They are all within your reach if you choose to increase your net, bottom-line results.

Saving tax is your democratic right, privilege and responsibility. Use it wisely.

Contact us NOW to plan and pre-pay any outstanding program fees THIS financial year so you can get a bigger tax rebate 12 months sooner.

Onward and upward!



Dr Marc Dussault

Exponential Growth Strategist

P.S. We always need a disclaimer, but this one includes a credit to Gary Tuminello of Gtax Accounting. He co-wrote this article with me and I wanted to give him the credit and recognition he deserves as an outstanding tax advisor who thinks outside the square for his clients. I endorse him without reservation. I bet you didn't know he even does house calls!

Please note that the views expressed by Dr Marc Dussault and Gary Tuminello are for educational purposes only. You must seek your own independent professional tax advice from a certified tax professional.

¹82KZL(1) of Income Tax Assessment Act 1936

²Section 24 of Fringe Benefits Assessment Act 1986

³Section 11-5 of A New Tax System (Goods and Services Tax) Act 1999