

## Wise Lord & Ferguson

*advice to advantage*  
Chartered Accountants

# wise words

**WINTER 2006**

## DUO TRADING

***Duo Trading is a very successful business. Starting the company 30 years ago with his late wife, Peter Fergusson, thinks the success relies on a simple model.***

"The basis of our success is really good products and really good people working for us. It sounds simplistic but that's the key.

"Duo Trading provides the highest quality lubrication products available in the world. We are the state distributor of Wynn's products and, more recently, we became the state distributor for their Fuchs range of oil products. Fuchs are the world's largest independent oil company," says Peter Fergusson.

"The local dimension we add has a real market advantage. We have much better service and representation than our competitors – people still like dealing with people they like and having in-field technical sales teams visit them. A lot of oil companies have cut back on staff and tend to neglect the direct interactions with customers as a result," says Peter.

"We have the largest in-field Sales Support Team in Tasmania. The majority of our sales team have been with us for over 10 years which means we have a unique technical advantage

over other operators and have built an excellent rapport with our customers," says Peter.

As a Tasmanian Company, Duo Trading Pty Ltd is very proud that they are now the largest Fuchs distributor in Australia and with Wynn's, have held the highest market penetration in the world for many years on sales based on available population and fleet and industrial potential.

After working in Sydney and London, Peter and his wife were ready to settle back in Tasmania. "It was in the 1970s and was much harder to come back here to work in those days. I'm a fifth generation Tasmanian and was always keen to return. We knew we needed to create an opportunity here for us and owning our own business suited our needs."

**CONT. PAGE 2**

1st Floor  
160 Collins Street  
Hobart 7000

GPO Box 1083  
Hobart TAS 7001

Phone: 03 6223 6155

Fax: 03 6223 8993

E-Mail: [email@wlf.com.au](mailto:email@wlf.com.au)

Internet: [www.wlf.com.au](http://www.wlf.com.au)



L-R: David Wise, Renae Barker, Peter Fergusson and Nicole Pepper

## INSIDE

TAX CHANGES AND  
SALARY PACKAGING

DUO TRADING (CONT.)

COMPANY DIRECTORS  
COURSE DIPLOMA

DUNCAN M<sup>C</sup>DOUGALL  
JOINS WLF

PROPOSED SUPER  
REFORMS

IMPORTANT DATES

# TAX CHANGES AND SALARY PACKAGING

**Revised personal income tax rates and higher income thresholds will apply from 1 July 2006, replacing the tax cuts that were previously legislated to apply from that date.**

The effect of the tax cuts is set out in the following table:

Current tax thresholds for the 2005/06 income year - Income range (\$)	Tax rate %	New tax thresholds for the 2006/07 income year - Income range (\$)	Tax rate %
0–6,000	0	0–6,000	0
6,001–21,600	15	6,001–25,000	15
21,601–63,000	30	25,001–75,000	30
63,001–95,000	42	75,001–150,000	40
95,001 +	47	150,000 +	45

The personal tax rate changes announced in the 2006 Federal Budget are likely to effect salary packaging options particularly for those who package high value items such as novated lease cars.

As a result of the reduction in the top marginal rate, other rates of tax that reflect the top marginal rate will also be reduced to 45%, eg the rate applicable to the unearned income of minors, contributions and earnings of non-complying superannuation funds and the net income of a trust to which no beneficiary is presently entitled.

The Fringe Benefits Tax (FBT) rate will be reduced from 48.5% to 46.5% from 1 April 2006, to bring it in line with the new personal income tax rates that will apply from 1 July 2006.

These changes will mostly impact employees who would have been on the highest marginal tax rate in 2005/06 but will be on the next rate down in 2006/07 (i.e. those earning between \$95,000 and \$150,000), and also those who are earning \$75,000 or less and will in future pay income tax at no more than 31.5 percent.

The decrease in the top marginal tax rate and the increase in the threshold from which it applies to \$150,000 will decrease the benefit of current salary

packaging arrangements for many employees who will no longer be taxed at the top marginal rate from 1 July 2006.

From a FBT viewpoint this reduction may mean that packaging a car or your children's school fees is no longer the most cost-effective method. Ian Wheeler, Partner, says careful consideration is needed in weighing up options and selecting the best salary package possible.

Ian says that the benefits of a novated lease may be replaced with more employees selecting 'employee contribution methods' to receive a greater advantage out of packaging cars. This method requires the employee to contribute some of their after-tax rather than pre-tax salary towards the cost of the benefit.

This after-tax contribution reduces the FBT that would otherwise be charged to the package. The end result is that the employee may sacrifice a lower amount of pre-tax salary and combine that with an after-tax contribution, giving them overall a more advantageous financial outcome. ■

## CONT. FROM PAGE 1

Peter thinks his background in management accounting has helped his business. "We've always known where we were financially and on a month-to-month basis had the figures for how the business was going," says Peter.

"We've also been with Wise Lord & Ferguson for 30 years and have had excellent back-up and support during this period. We receive advice on tax and business matters and have discussed with our options when we diversified into oils," says Peter.

Five years ago Duo Trading picked up the Fuchs oil range with excellent immediate results. "Fuchs is a very technically advanced company with an expanding product range.

"We have in excess of 25% of this very competitive market. We are up against huge companies but again I think it is our approach to getting out there and connecting with customers that has helped us win such a sizable market share," says Peter.

"In Germany and Europe companies are much more advanced in biodegradable lubricants and are very interested in developing products that will protect the environment like hydraulic oil that can dissipate and is harmless," explains Peter.

With the expansion into oils, Duo Trading is experiencing a growth cycle in its business. "We are growing at a rate of 20% a year. Logistically that's a bit hard at times. We're looking to increase our present size to meet our expansion and ensure that we can continue to grow," says Peter. ■

## COMPANY DIRECTORS COURSE DIPLOMA

**Joanne Doyle, Partner, Audit, recently completed the Company Directors Course at the Australian Institute of Company Directors (AICD) and was awarded a Company Directors Course Diploma. AICD is well regarded as the peak professional organisation for Directors providing education, information, policy and advocacy.**

"The Company Directors course is recognised as the definitive program for people who are currently, or seeking to be, company directors," says Joanne.

"It was fairly intense and is the equivalent to 110 hours of study and provides advance standing towards an MBA. In addition to the 5 days of the course, a written assignment and examination was required to be successfully completed to obtain a Diploma Certificate.

"The course covers the distinctions between operational and board governance roles and responsibilities of a director in real depth, as well as fundamentals of financial statements, strategic directions and strategy and legal issues for directors" says Joanne.

"The most valuable part of the course for me was to further clarify my knowledge of the Directors' role versus the Managements' role. This knowledge assists me as a Company Auditor where I am required to communicate to the Board on audit observations and accounting

issues identified during the audit cycle. I can now, more clearly, put these observations and issues in the context of Directors duties.

"As someone that works with Financial Statements and accounting systems on a daily basis the Financial Accounting modules provided me with insight in how Directors and potential Directors - whose major skill sets are not in accounting - view and interpret the Financial Statements which again aids me in my Company Auditor role. It also reiterated the importance to me of having a well balanced Board that encapsulates all the skill sets required to run an organisation," says Joanne.

Whilst Joanne is already using the knowledge gained through the completion of the Company Directors Course in her daily role as an Audit Partner at Wise Lord & Ferguson, Joanne also has an interest in taking on a Directorship in the future. She was a Director of Civil Constructions Corporation for a short period prior to its sale and enjoyed the challenges that went with the role. ■■



Joanne Doyle - Partner, Audit

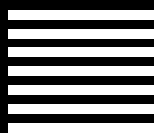
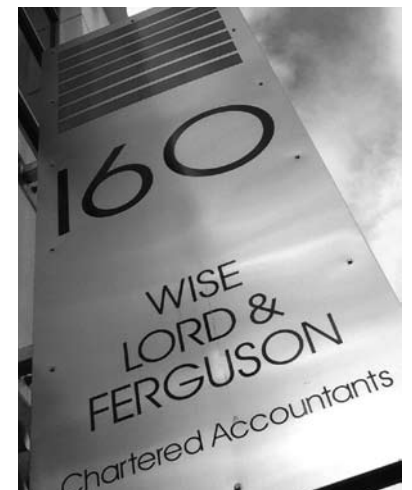
## DUNCAN M<sup>C</sup>DOUGALL JOINS WLF

**The Partners are pleased to announce that effective 1 July 2006 the clients of Duncan McDougall will be transferring to Wise Lord & Ferguson. Duncan, together with Peter Johnstone, has been operating an accounting practice known as 'McDougall Johnstone' for many years.**

Duncan will be taking on a Consultant role within the firm to facilitate the effective transfer of clients.

In addition, Wise Lord & Ferguson will be employing one of Duncan's staff, Raewyn Davy, as an Assistant Accountant.

We welcome Duncan and Raewyn to the firm and are looking forward to working with our new clients answering your business, financial and taxation needs. ■■



**Wise Lord & Ferguson**

*advice to advantage*  
Chartered Accountants

**Business service professionals meeting corporate, government, organisational & personal financial service needs**

**Business Accounting  
Audit  
Financial Management  
Investment Advice**

**Management Consulting  
Business Development  
Taxation Services  
Corporate Recovery**

**Telephone 03 6223 6155**

# PROPOSED SUPER REFORMS

***Life is never easy- or is it? The Federal Government made some very unexpected announcements in the Budget on 9 May 2006. However what must be remembered is that most of these changes are proposed and not final.***

But, there is one important change that takes effect from that date – that is, the amount that can be contributed as an undeducted contribution will be restricted to \$150,000 per annum. So, if you are considering making such a contribution then we would suggest you obtain advice prior to 30 June 2006.

The majority of other changes are due to commence on 1 July 2007 and they are summarised as follows:

- Reasonable Benefit Limits (RBL's) will be abolished
- Super benefits paid to people over 60, whether as a lump sum or a pension, will be exempt from tax but only from taxed super funds
- Self employed people will be able to claim a full tax deduction for contributions to super
- Age based deduction limits will no longer exist. Instead there will be an annual, universal limit on deductible contributions of \$50,000 per person. A proposed transition period for people over 50 will apply so that they will be able to contribute \$100,000 each financial year up to the year 2011-2012
- Death benefits will be taxed differently

- There will be new minimum standards for pensions commencing on or after 1 July 2007 – payment rules will specify minimum limits only
- Superannuation investors will no longer be forced to withdraw their benefits once they are over 65 and no longer working.

These proposed changes have again changed the face of the Australian Superannuation system and will have a significant impact on people saving for retirement and for those commencing retirement. Talk to us now about your plans and have your money working to your advantage, now and in the future. ■

## IMPORTANT DATES

### JULY 2006

It's a new financial year and the perfect time to plan now with tax-effective wealth creation strategies – i.e. margin lending and salary sacrificing into superannuation. Not sure how? Contact us, we're ready to go through your options with you.

Gather your documents to enable your tax return to be done, so you receive your tax refund as soon as possible. If you have tax to pay, your accountant can defer any payment until next year. Invest your tax refund tax-effectively.

**14 July:** Final day for group employer to issue group certificates to any employees (who were employees) during the financial year

**28 July:** Final day for lodgment of Activity Statements for reporting and payment of FBT, GST and PAYG withholding for the previous quarter (**21st July for monthly returns**).

**28 July:** Final day for employers to make required superannuation guarantee contributions.

### AUGUST 2006

By now you should have received reports for your investments for the period to 30th June 2006. Review these statements

and discuss with your accountant whether any changes to the structure of your investments, your investment strategy and/or your asset allocation are required.

**14 August:** Final day for group employers to forward copies of employees' group certificates and wages reconciliation statements to the ATO

**21 August:** Final day for lodgment of Activity Statements for reporting and payment of GST and PAYG withholding tax for previous month.

### SEPTEMBER 2006

Members of superannuation funds should begin to receive their annual member statements any day now. Take the opportunity to review your superannuation fund's performance, service and contributions to ensure you are on track to reaching your retirement goals. It is also a good time to review your estate planning arrangements with your superannuation fund provider. This information will appear on your statement to ensure the individual nominated as your dependant is still current - if not, notify your fund provider.



**Wise Lord & Ferguson**  
*advice to advantage*

1st Floor 160 Collins Street Hobart 7000  
GPO Box 1083 Hobart TAS 7001  
Phone: 03 6223 6155 Fax: 03 6223 8993  
E-Mail: email@wlf.com.au Internet: www.wlf.com.au



**Chartered  
Accountants**