

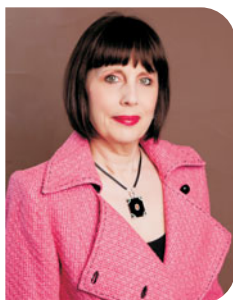
In this issue we cover:

- Message from Di
- Authorised Representative Profile – Wendy Celine
- Standard tax deduction – draft legislation
- ATO clamps down on GST fraud and cash income

Welcome to our October 2011 issue of our 'Horsey Jameson Bird Newsletter'.

The purpose of this newsletter is to keep you informed of developments in financial planning and taxation services. We aim to keep you up-to-date on relevant industry and regulatory changes as well as advising you of the services provided by Horsey Jameson Bird (HJB).

Message from Di



The Good News Story in the Australian Economy

While the Australian Share Market Sentiment continued to be dominated by offshore events rather than domestic economic in September, indicators and company news shows positive signs for Australia.

It is important to note that the Australian economy is in much better shape than the US and Europe. This was clearly

evident in the recent stronger than expected GDP data that showed the Australian economy grew by 1.2 per cent in April to June 2011, above the forecast of 1.0 per cent and up from the natural disasters that led to the -0.9 per cent figure in the months January to March 2011.

The annual pace of growth also rebounded, up to 1.4 per cent, per year from 1.0 per cent, per year in the first quarter of 2011. The pace of growth still looks unusually low following a very strong +1.4 per cent growth rate in April to June 2010 and masks some of the underlying strength seen in this data.

Household spending up

The mix of economic growth in the quarter was interesting with household final consumption spending up 1.0 per cent in the quarter, (contributing 0.5 per cent growth), contrary to expectations.

Consumer spending up

The strong performance by the consumer also came with a slight fall in the household savings rate, which still remains very high. This increase in spending is at odds with retail sales data over April to June which showed ongoing weakness. However, it's important to remember that retail sales data only represents roughly a third of all consumer spending. If we examine the national accounts data, it shows consumer demand rising 1 per cent over the three months in volume terms. This was driven by spending on transport services (+5.9 per cent/qtr), recreation & culture (+3.1 per cent/qtr) and hotels, cafes & restaurants (+3.0 per cent). What this shows is that the consumer is willing to spend, but the way they are spending for example, switching to online, is changing.

Private sector spending increased

Private sector capital spending was up 1.3 per cent/qtr driven by a 4.9 per cent/qtr increase in machinery and equipment, no surprise given mining and gas projects were progressing over the quarter.

Public expenditure fell

Public sector capital spending fell 3.8 per cent/qtr as federal stimulus measures were unwound as expected. In addition, changes to inventories contributed to growth by a very large 0.8% on the quarter.

Imports and exports

The increase in imports suggests that the large pipeline of mining and gas capital expenditure has begun in earnest, but a substantial amount of capital goods will be imported given the strength in the Australian dollar.

Importantly, Australia's terms of trade (the ratio of export prices to import prices) rose by a further 5.4 per cent/qtr in April to June 2011 to a new record high. This gain in the terms of trade will provide further income flow into the economy in the quarters ahead and will continue to be a strong support for the economy.

Another theme evident was the strength of the income side of the Australian economy. A broad measure of real disposable income (a measure of the economy that takes into account the terms of trade), rose 2.6 per cent/qtr. This gives an increase of 6.5 per cent in real gross domestic income for the 2010-11 financial year, the largest annual increase since 1987-88.

Other highlights:

And the winner is... Qld

On a state level, the strongest growth was in Queensland, up 3.5 per cent for the quarter, which mostly reflects the delayed recovery from the floods earlier in the year. South Australia was also surprisingly strong, up 2 per cent for the quarter. This could reflect SA's close proximity to the resources sector and the development of Olympic Dam.

Western Australia grew by 1.0 per cent, per quarter and the Northern Territory grew by 1.1 per cent, per quarter with Tasmania and the ACT both showing negative growth, down -0.5 per cent, per quarter and -0.7 per cent, per quarter respectively.

Victoria and New South Wales both experienced weaker growth than the key mining states, signs that a two speed economy may still exist.

The Road Ahead

Looking forward, global markets are likely to remain volatile as the outlook for global growth is uncertain and investor confidence is unlikely to return until a lasting solution to Europe's debt problems is negotiated.

One of the reasons the Australian economy is holding up so well is the increased integration of Australia into the economic cycle in Asia, particularly China, due to our vast supply of natural resources and Asia's corresponding demand for these products.

All this suggests that the Australian economy should be partly insulated from future weakness in the US due to our links to China where growth appears more robust and sustainable.

In the long term, this outperformance of the Australian economy in a global context should be reflected in sharemarket performance.

Authorised Representative Profile – Wendy Celine

Wendy Celine joined HJB in December 2010 as a Senior Paraplanner and in June 2011 was appointed to the role of Authorised Representative. Since 2007 Wendy has completed a Diploma in Financial Services as well as the Advanced Diploma in Financial Services. Wendy has also achieved RG146



Compliance and she is very experienced in understanding clients' individual needs and constructing tailored financial planning advice to meet these needs. Wendy possesses strong technical skills and is able to take a holistic approach when constructing complex strategies.

Prior to joining HJB, Wendy worked as a Paraplanner for a small Brisbane City Financial Planning Practice for four years.

In 2007, Wendy relocated from South Africa to Australia. Between 1997 and 2006 Wendy worked as a Financial Planner in South Africa for the Pioneer Group, an international organisation with a global presence in Africa, Europe, Latin America and the Middle East. Wendy advised high net worth clients on investments, retirement planning, insurance and estate planning both internationally and domestically. During that time, Wendy built strong, long term relationships with her clients. She also completed the International Capital Markets Qualification through the Securities Institute in London as well as the Diploma Qualification in Financial Planning through the University of South Africa.

Wendy began her working career as a secondary school teacher after graduating from Stellenbosch University in South Africa with a B.A. Honours Degree. She enjoyed 14 successful years in education with one of her many highlights being presented with the Mayoral Award for her contribution to education. In 1997 Wendy decided to make a complete career change to Financial Planning.

Wendy is a keen sportswoman, having played golf at provincial level in South Africa although these days she prefers the more social approach. She also enjoys the arts, travelling, cooking and bushwalking.

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Standard tax deduction – draft legislation

The Australian Government has released for comment exposure draft legislation and explanatory material regarding the Federal Budget 2010–11 proposal to provide individual taxpayers with a standard tax deduction. The draft legislation proposes a standard deduction of \$500 for 2012–13, rising to \$1000 from 2013–14.

The deduction would replace work-related expenses and the cost of managing tax affairs for those taxpayers whose claims for these expenses are less than the standard deduction. Taxpayers whose claims for these expenses exceed the standard deduction would still be able to claim those deductions.

ATO clamps down on GST fraud and cash income

A key part of the ATO's Compliance Program is increasing their focus on non-complying taxpayers in the GST system, as well as those who fail to report some or all cash transactions.

To this end, the ATO has increased its scrutiny of businesses deliberately not reporting cash income, with over 1.4 million small businesses evaluated against the ATO's "sophisticated risk detection systems". The ATO also states: "While it is not illegal to trade in cash, it is illegal to not report it".

As an example of their compliance activity, a director in WA has been sentenced to 3 years jail, with a non-parole period of 20 months, for understating cash business sales by over \$5.6 million and for the intent to underpay GST obligations by around \$514,000.

The ATO also reported that they received over 44,000 'contacts' last year, including calls, letters, faxes and emails from the community relating to those who may be doing the wrong thing in relation to their obligations (via the ATO's Tax Evasion Referral Centre).

Another successful prosecution resulted in a NSW solicitor being sentenced to 6 years jail for claiming \$1.6 million in fraudulent rental deductions for a property over a period of 12 years.

The property had been declared as an investment property during this time, but evidence proved that the defendant and his family were actually living in the property, and that the property was not being used to produce assessable income.

