

small business concessions to be standardised

The Government has announced that it will standardise the eligibility criteria for the various small business tax concessions.

There are separate tests to be eligible for the GST, the Simplified Tax System (STS), CGT, FBT and PAYG small business concessions.

For example, to enter the STS, a business' STS income must be less than \$1 million, and to access the CGT small business concessions, the net market value of its active assets must be less than \$5 million.

From 1 July 2007, there will be a single definition of 'small business' and any

business with annual turnover of less than \$2 million will be able to access any of these concessions. Therefore, small businesses will only have to apply that one eligibility test to access the range of small business concessions, and will be able to choose those concessions that meet their business needs.

Also, businesses with existing access to CGT, FBT or PAYG small business concessions will be able to access those concessions where they meet either the new small business definition or the other existing eligibility criteria.

forfeited deposit subject to GST

Recently the Administrative Appeals Tribunal has found that a deposit forfeited to a vendor under a rescinded sale of land contract was subject to GST. In this case the purchaser paid \$25,000 for the option to purchase land. They later exercised the option and paid an additional \$272,000 to complete the deposit. After entering into a contract the purchaser did not proceed and forfeited the deposit.

The vendor argued that the forfeited deposit was in consideration of damages sustained through the non performance of the purchaser and it was not subject to GST.

The AAT's view was that the forfeited deposit was subject to GST.

The vendor has appealed the case to the Federal Court. It will be interesting to see the Court's decision.

regions and the coast on top

Queensland's regional and coastal towns are the best place to invest in property in this state, according to the latest data from REIQ. Minyama on the Sunshine Coast had the largest jump in value in the past year, with the median house price rising by 67.3%. Meanwhile, a resources boom triggers huge rises in regions such as Mt. Isa, Townsville

and Rockhampton. Every suburb measured in the Rockhampton region recorded an annual jump in value of more than 23.5%, in Mount Isa, the median house price in Mornington went up by 61%.

The Courier-Mail, Page 62, What your house is worth, 9-10 December 2006.

no rental relief in sight

The majority of Australians renting a property believe their rent bills will rise in the next 6 months, according to a survey by Neilson/Net ratings and realestate.com.au. The survey compiled from 1,480 people found 67.1% of respondents expect their rent bills to rise in the next six months, 15.4 % believe they will stay the same,

5% believe they will fall and 12.5% had no answer. According to the survey, 64% of respondents believe occupancy rates will go up in the next five years and only 15% believe they will go down, while 21% believe they will stay the same.

www.propertyreview.com.au, id 2343, 4 December 2006.

GIVE YOUR RUBBISH A GREEN HOME

People everywhere are making changes for a 'greener' future, and there's no reason why you can't start right in your very own home. If you've already got a handle on energy and water conservation, think of smaller things, like BioBags to hold your food waste.

Conventional plastic bags simply don't break down. Every year, thousands of tonnes of plastic waste end up in landfill where they last for many decades longer. BioBags have been specifically engineered to degrade into the end products of CO2 and water, so both the BioBags and its contents will degrade, saving valuable landfill space and reducing plastic pollution. For more information, see www.biobag.com.au

FEELING OLD ANYONE?

As the world gets better at treating disease and population growth slows, the number of people in the workforce is declining – a trend that is affecting most economies. The big problem that is starting to emerge is that the retirement of baby boomers is starting to leave big gaps in the working population. UN estimates suggest that the percentage of people in the workforce will fall by between 5% and 10% in most developed economies over the next 20 years. In Australia, the forecast is for a 5% fall by 2025.

The Australian, Page 48 Business Marketplace, 29 November 2006.

HOME SALES STRONG

Brisbane's property market is still going strong despite a year of rising interest rates. Preliminary figures to be released by the REIA today reveal an 11% increase in the median price for houses within a 5km radius of Brisbane's inner city. Suburbs in the middle and outer ring also recorded price increases. Median house prices throughout the Brisbane statistical division increased to \$330,000 up from \$310,000 since the September quarter 2005.

The Courier-Mail, Page 9, 4 December 2006

real estate market outlook

Things may get worse before they get better, but get better they definitely will, according to the Real Estate Institute of Australia's annual publication on the state of the market.

The REIA's 2007 Real Estate Market Outlook predicts that a continued softening of the residential sales market in the Eastern States, and rental increases in response to tight vacancy rates, will ultimately lead to improved residential investor yield.

This in turn is expected to create new interest to re-stimulate the market and values, the report suggests.

Here is an overview of topics covered in the report.

residential property prices

During 2006, house prices rose across Australia, ranging from 0.6 percent in Sydney to 38.7 percent in Perth. Demand for housing finance weakened sharply in the second half of 2006, in response to interest rate rises and deteriorating home loan affordability. A slowing in demand for property, despite positive population growth in all States and Territories during 2006, will limit price growth in 2007.

Current evidence suggests that Sydney and Adelaide prices will likely remain flat into 2007. The more moderate growth in Melbourne, Brisbane, Canberra and Hobart during 2006 has already begun to slow in all cities except Hobart, and it is likely that price growth in these cities will also be more subdued in 2007. Strong interstate migration to Queensland along with strong commodities prices may assist in maintaining positive price growth, particularly in South-East Queensland.

Perth and Darwin had an outstanding year for median house price growth in 2006, although there is evidence that the boom times of 2006 are slowing in Perth.

However, net overseas migration to Western Australia is high, and the unemployment rate is low (3.1 percent), which will assist in maintaining stronger demand than in other parts of the country. Darwin continues to

have strong prospects for price growth into 2007, in response to the commodities boom and high demand for quality contemporary property.

real estate sales activity

The two year slowdown in residential building activity in the Eastern States will result in reduced availability of housing stock for sale or rent during 2007.

In contrast with the Eastern States, dwelling construction in Western Australia increased during 2005/06 in response to strong demand driven by the housing boom. This will slow in 2007, in response to skilled labour shortages and higher interest rates. There is some evidence that demand is cooling in the WA market.

rental market

The demand for rental properties is outstripping supply in every capital city in Australia, with a weighted Australian average vacancy rate of 1.7 percent, well below the industry vacancy benchmark of 3.0 percent. This is not likely to improve in the short term, based on falls in investor financing in the second half of 2006.

Rents increased by an average of 9.8 percent over the year to September 2006, significantly above the CPI increase of 3.9 percent and the increase in median weekly family income of 2.7 percent. They are likely to continue to rise across the country during

2007, particularly in Sydney which has been slower to respond to the tight vacancy rates than other locations.

home loan affordability

Australian families required 33.8 percent of family income to pay an average home loan in September 2006, the worst result for 25 years aside from an 18 month period from March 1989 to September 1990.

First home buyers have been most affected by the deteriorating affordability and the increase in interest rates, with the share of all dwellings financed by first home buyers at 17.4 percent in September, compared with an historic average of 21.8 percent.

property investment

A tight rental market is an attractive proposition for property investors who intend to make quality long-term investments and are not seeking short-term capital growth.

The 2007 property market is likely to offer significant opportunities for long-term investors, particularly in locations where prices are moving downwards e.g. Sydney.

REIA data shows that the average annual return on property investment over the past two decades has ranged between 12.0 percent for other dwellings and 14.1 percent for houses in Sydney; to 17.1 percent for Perth houses and 17.2 percent for other dwellings in Perth and Hobart.

queensland state overview

The Queensland economy has significantly outperformed the national economy over most of the last decade. Growth has been underpinned by significantly higher population growth than other states, while more recently the resources boom has boosted the economy at a time when the domestic economy was moderating. With an exceptionally tight labour market as a consequence of strong economic growth, capacity constraints are a

concern for Queensland in the short-term. Nevertheless, the outlook for the state is rosy and strong population growth coupled with continued strength in resource exports should provide a solid platform for broader-based strength in the Queensland economy over the next decade.

Jones Lang LaSalle, Pulse, State in Review, December 2006.

