

hmm your business

## How will climate change affect your business?

We've heard about it, we've read about it. Our Labour Government has acknowledged it in a most public way by signing the Kyoto Protocol. Climate change is here and its effect on the commercial world will accelerate rapidly in the next couple of years.

The impact of climate change will have regulatory and commercial consequences and these are outlined below:

### Regulatory issues

#### Registration and reporting

National Greenhouse and Energy Reporting Act 2007 (NGER).

This act establishes a national framework which requires businesses who exceed energy production, energy use or greenhouse gas emission thresholds, to report annually on their greenhouse emissions and energy production and consumption.

**99 per cent of businesses will not be directly impacted by NGER.**

The reporting regime is limited to 'large



scale' energy users and/or greenhouse gas emitters.

The table below sets out registration and reporting requirements.

To put the emissions and energy usage tables into perspective:

- 1000 sqm of office space emits approximately 125 tonnes of carbon per annum
- An 1800 CC car travelling 15,000 kilometres per annum emits approximately 4 tonnes of carbon per annum

• In order to reach energy consumption thresholds in the table below, a business would need annual energy expenditures approximately as follows:

Electricity - \$1.5 m

Gas - \$1 m

Petrol - \$4.5 m

So - as is evident from these indicative emission and consumption figures, most businesses will not be directly impacted.

*...continued page 4*

Single "Facility"	25,000 tonnes of emissions or 100 Terajoules of energy		
Corporate Groups	125,000 tonnes of emissions or 500 Terajoules of energy	87,500 tonnes of emissions or 350 Terajoules of energy	50,000 tonnes of emissions or 200 Terajoules of energy
Companies to register by:	31/08/09	31/08/10	31/08/11
Companies to provide data by:	31/10/09	31/10/10	31/10/11
Government to publish data by:	28/02/10	28/02/11	28/02/12

#### INSIDE THIS ISSUE:

How will the climate change affect your business?

Big brother is watching!

Client Profile - McBride Charles Ryan

"Care" Guarantee Champion



## Big brother is watching!

Technology has made it cheaper, easier and more convenient to do business locally, nationally and globally and most will admit this has been a good change. The Australian Taxation Office (ATO) is also making very productive use of technology.

Just like every other business, the ATO is utilising all the new gadgets and gizmos to help them run their business better - to collect more tax!

The ATO has developed sophisticated data matching programs to ensure taxpayers report everything that they should. With the help of third parties such as banks, the Australian Securities Exchange, State Revenue Offices and other authorities, the ATO has gained access to a lot of information stored in databases all around Australia.

With the help of these third parties and computer matching programs the ATO can reconstruct all manner of transactions. Examples of the kind of income details the ATO now has access to are as follows:

- Annual PAYG withholding summaries
- Details of interest paid by banking institutions
- Dividends & distributions paid by listed and unlisted entities
- Details of welfare payments paid by Centrelink and other government departments
- Property data from State Revenue Offices and land titles offices
- Share data from the Australian Securities Exchange and other share registries

### Hit list

The ATO amended 251,000 individual income tax returns during their 2007 compliance program. Each year the ATO discloses the groups they believe are most likely not to comply with their obligations, or where failure to lodge in full and on time increases other tax risks.

### On the Taxman's 2008 compliance hit list are the following groups:

- People who pose a high risk to revenue, including those the ATO expects to have a high tax liability
- People who are in a high-profile profession that influences the wider community
- People who have child support obligations
- People who are identified as high risk from major enforcement projects
- People who are promoters of tax schemes or are using tax havens

### High Income Individuals

The ATO will be targeting high income individuals, specifically public company executives and directors with a total remuneration package of more than \$1 million. The ATO's main concern here involves employee share schemes and correct disclosure thereon.

### Work Related Expenses

Claims for work related deductions for the

year ended 30 June 2006 totalled \$12.5 billion and continues to increase. Consequently the ATO is endeavoring to check work related deduction claims against industry averages and against what was claimed on a taxpayer's previous income tax return. Groups that have been "tagged" are:

- Tourism workers, travel consultants and guides
- Fitness and sporting industry employees
- Construction industry employees
- Guards and security employees
- Mining site employees (resource boom).

*The ATO will be targeting high income individuals, specifically public company executives and directors with a total remuneration package of more than \$1 million.*

### Rental Income and Expenses

Rental properties are a major concern for the ATO with planning to review 6,000 "at risk" cases with key areas of focus being:

- Incorrect apportionment of interest deductions
- Claims for capital works that exceed the construction expenditure
- Initial repair or renovation costs incorrectly claimed as repairs and maintenance instead of being attributed to the capital cost of the property
- Borrowing expenses claimed in a single year instead of being spread over five years.

### Non Disclosure of Income and Benefits

The ATO is using data matching programs to verify 50 million transactions to confirm details such as:

- Employment income including salary and wages, allowances, lump sum payments and reportable fringe benefits
- Government benefits and other payments
- Interest and dividend payments
- Health insurance premiums paid and the period of cover.

### Capital Gains / Superannuation Contributions

With the help of state titles and revenue offices, securities exchanges and share registries the disposal of assets is going to be scrutinised closely by the ATO and in particular assets that are transferred from an individual to a super fund. Areas of concern are as follows:

- The unreported disposal of assets that should be subject to capital gains tax
- In specie contributions - assets transferred into a superfund at less than market value.

# McBride Charles Ryan

Lulled by the familiar pattern of streets and crossings, the crowds and sidewalks, we tend to keep our heads down when walking in the city. Architects Robert McBride and Debbie Ryan want us to look up.



*Monaco House - Photograph Trevor Mein*

On a tiny plot tucked down one of the many narrow alleys in Melbourne's CBD, the joyously sculptural façade of Monaco House provides a moment of surprise which arrests the gaze of even the most hurried passer-by.

Shortlisted for the national architecture awards, the project was presented at the inaugural World Architecture Awards in Barcelona in late October.

McBride Charles Ryan (MCR), a master planning, architecture and interior design practice, has a growing list of delighted clients, local awards and increasingly, international acclaim.

McBride and Ryan founded their practice shortly after the 1987 stock market crash. Despite adversity the pair remained confident and hopeful, constantly inventing ways to practise their skills. Their first break arrived when family and friends pooled money to buy a block of land in Port Melbourne. MCR designed a three-unit development for the site and the units were subsequently sold for a significant profit.

The real benefit to MCR was that they had some built work which was attracting attention.

In the years that followed, MCR accumulated institutional and housing projects. With their practice growing, McBride and Ryan decided to build (literally) on their success, syndicating a 10 townhouse project in Prahran. A critical and commercial tri-

umph, the Prahran townhouses received the Royal Australian Institute of Architects multiple housing award and a Stonnington Council Urban Design award, and caught the keen eye of developer Daniel Grollo.

Grollo's company Grocon hired MCR to design QV2, a \$20 million multi-residential project for the prestigious Queen Victoria development. Combining sinuous curving balconies with a variety of cleverly planned apartments, QV2 was delivered under budget, sold rapidly, won numerous architectural awards and was displayed at the Venice Architecture Biennale, as the outstanding example of high density housing in Australia.

Following the many achievements of QV2, Grocon has commissioned MCR to design an iconic tower for the redeveloped Carlton United Brewery at the northern end of Swanston Street, with construction due to commence in 2009.

While the practice's reputation has been forged through predominantly residential works, they have been increasingly commissioned to design institutional and infrastructure projects. Recipients of the highest accolade for Architecture in Victoria, the Victoria Medal, for a primary school hall and gymnasium, MCR is currently completing a variety of projects for schools.

Currently under construction at Southern Cross Station, a new yardmasters and sig-



*QV2 - Photograph John Gollings*

nalmens facility is indicative of the infrastructure projects in which MCR is currently engaged. Negotiating complex programmatic and construction parameters, the railway facility is located in the middle of the tangled train lines and will be highly visible from the station's platforms.

In parallel with the escalating scale and ambition of these commissions, MCR continues to take on a few single houses a year. Nicknamed 'the Klein Bottle house', a recently completed Mornington Peninsula beach house is currently shortlisted for the national Architecture awards having already received The Harold Desbrow Annear award as the foremost residential project in Victoria.

*Further information may be obtained at [www.mcbridecharlesryan.com.au](http://www.mcbridecharlesryan.com.au) or contact Debbie Ryan on 9510 1006.*



*Klein Bottle House - Photograph John Gollings*

FROM PAGE 1...

**Emissions trading scheme**

Set up to commence in 2010, this will be a 'cap and trade' arrangement whereby the Government will set an upper limit for emissions and then issue permits allowing emissions up to that level. Individual permit holders will be allowed to emit up to the level of their permit. Those who exceed their cap will have to acquire 'credits' from others who are emitting less than their cap. Hence, a market for carbon emissions permit credits is expected to emerge. Again, this will only directly affect large scale emitters.

**Tax**

There will be tax implications for companies involved in permit procurement and disposal but details are not clear as yet.

**Commercial issues**

Whilst small to medium businesses are less likely to feel the direct impact of Government regulation, the 'downstream flow' of these requirements is likely to make it necessary for smaller businesses to establish and monitor their carbon footprint.

Some likely commercial impacts for small to medium businesses are:

- Supply chain pressure - customers and/or suppliers are increasingly likely

to request information on the carbon footprint savings initiatives of your business.

- Impact of emissions permits on price/cost structures.
- Determination of embedded emissions on products or services you supply.
- Supply contracts clauses are increasingly likely to include provisions for recovery of climate change associated costs.
- Corporate image issues for your business with staff, customers, suppliers, other stakeholders and the general public.
- Carbon saving pressures and alternative technologies.

**Conclusion**

Do not ignore the issue of climate change in your business. Most small to medium businesses will not be directly impacted by the regulation and reporting regime, however commercial considerations will require you to understand and actively reduce your carbon emissions and energy usage.

*More information on this matter can be obtained at:*

<http://www.climatechange.gov.au/reporting/legislation/index.html>

<http://www.epa.vic.gov.au>



**"CARE" Guarantee Champion**



**Our third "CARE" Guarantee Champion for 2008 is Jessica Cossart.**

Known to many of our clients and suppliers, Jess joined Haines Muir Hill as a personal assistant and in her 12th year with us, she is still proving to be an incredible asset to our firm. Her continuous effort, contribution and her happy manner make her a pleasure to work with and she is a deserving recipient of the August quarter award.



**Special Recognition**

**Special mention also goes to office junior, Renee Murray.**

Despite having been with the firm for only a few months, Renee has displayed a maturity beyond her years. Her work ethic and positive attitude are a credit to her and are valued by all at the firm.



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