

## End of Year 2011 Business & Individual Newsletter

### OUR SERVICES

Did you know we can assist you in the following ways:

#### Income Tax

- Income Tax Preparation
- Tax Planning Advice
- GST
- Business Activity Statements
- Superannuation
- Land Tax
- Fringe Benefits
- Tax Audit Support

#### Accounting

- Preparation of financial and management accounts
- Company Secretarial services
- Accounting systems and technology
- Better management and procedures for your business

#### Business and Advisory

- Business plans and cash forecasts
- Start up feasibility studies
- Introduction to financiers and assistance with financial applications
- Preparation for sale of business

#### Audit

- Statutory Audits
- Not for profit organisations
- Financial Services Audits
- Half Yearly Reviews
- Superannuation Funds
- Systems and Control Reviews

#### Other

- Business valuations and appraisals
- Remuneration planning
- Mediation and dispute resolution
- Estate Planning

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### Budget summary

The Government announced a number of measures in the 2011-2012 budget that will impact SMEs and their employees. An outline of these is provided below. It is, however, important to note they have not yet been passed into law and are subject to change.

### Minimum pensions

During the global financial crisis the government reduced the minimum pension required to be drawn down for account-based, allocated and market linked pensions. This relief will be reduced by 25 per cent for 2011-12 and phased out in 2012-13.

### Low income tax offset for minors

From 1 July 2011 minors receiving non-work income, such as dividends, interest or family trust distributions, will not be entitled to the low income tax offset. This will reduce their tax free threshold to \$416.

### Accelerated depreciation for small business enterprises

Any motor vehicle purchased from 2012-13 will be eligible for an instant tax write-off for the first \$5,000 of its purchase price. The remainder of the purchase value is then depreciated.

Depreciating assets acquired from 2013, valued under \$5,000 will be able to be written off immediately.

### Log books may help reduce FBT

The 2011 Federal budget also announced changes to the calculation of FBT on motor vehicles. The FBT payable will increase if an employer provided car travels over 25,000 kilometres in the FBT year. The table included here provides a concise breakdown of the current and proposed FBT rates based on kilometres travelled.

Kilometres travelled	Current FBT rate	Budget proposed FBT rate
Less than 15,000	26%	20%
15,000 – 24,999	20%	20%
25,000 – 40,000	11%	20%
Over 40,000	7%	20%

The Government has said these changes will be phased in gradually however there is a second way to calculate the FBT on a vehicle – the operating cost method.

This method involves the employer being able to identify:

- Repairs and maintenance
- Fuel
- Registration and Insurance
- Depreciation - if owned by the employer

Private use is determined by a log book.

A log book must be maintained for a continuous period of 12 weeks and contain the following information:

- The date the journey began and ended (multiple journeys are treated as a single entry)
- Car odometer readings taken at the start and end of the journey
- The number of kilometres travelled by the car
- The purpose of the travel

If you complete a log book within 12 weeks of the FBT's year end it can be used for the preceding year. A new log book must be completed every five years.

## New in 2010/2011

### Medical Expenses Rebate

The minimum threshold for the 2010/11 year has increased. To be eligible for a 20% tax offset, net medical expenses must exceed \$2,000 pa.

## Planning Considerations

### Assessable Income

With the introduction of the "flood levy" in the 2012 income year, consider whether income may be able to be brought forward and derived in the 2011 income year to minimise the impact of this levy. This requires careful consideration and should be discussed with your advisor.

## CGT

Realised capital losses are able to be offset against realised capital gains and reduce tax.

Review your portfolio and crystallise capital losses before 30 June 2011. Caution – the ATO has issued a ruling that relates to "wash sales". The ruling considers that the ATO can apply Part IVA anti-avoidance provisions to cancel offsets and apply penalties.

### Superannuation – Government Co-Contribution

The maximum co-contribution amount that you can receive is \$1,000. This is reduced by 3.33 cents for each \$1 of income over \$31,920 pa up to \$61,920 pa.

You will generally be eligible for the co-contribution if:

- you make a personal super contribution by 30 June 2011
- 10% or more of your total income is from eligible employment or running a business
- you are aged under 71

### Ensure minimum pension drawdown requirements are met by 30 June 2011

Ensure all minimum pension drawdown requirements for 2010-11 (after taking into account pension drawdown relief measures) are met by 30 June 2011, in order to protect the fund's tax-exempt status. This is particularly relevant to SMSFs.

### Super dates – ATO focus

The ATO have sent letters to a number of businesses reminding them of their requirement to pay their staff superannuation on time. These letters are part of an education campaign launched by the ATO and will be followed up with a compliance program. Below is a table of the payment cut-off dates for super guarantee payments.

Quarter	Period	Payment cut-off date
1	1 July - 30 Sept	28 Oct
2	1 Oct - 31 Dec	28 Jan
3	1 Jan - 31 March	28 April
4	1 April - 30 June	28 July

If a super contribution is paid after the cut-off date a super guarantee charge statement must be lodged with the ATO and interest paid on overdue amounts at 10 per cent, per annum, plus an administration fee of \$20 per employee per quarter.

### Reportable Employer Superannuation Contributions - PAYG Payment Summaries

Last financial year a lot of businesses incorrectly completed the reportable employer superannuation contributions section of the PAYG payment summary by including superannuation guarantee contributions (SGC). Reportable superannuation contributions are superannuation contributions where your employee influenced the rate or amount of super you contribute for them. They are additional to the amounts you must pay under SGC or an industrial agreement. Whether an employee has the capacity to influence the amount of contributions made is shown by considering:

- Your relationship with the employee
- The employee's involvement in negotiations regarding super contributions
- The size of the amount contributed compared to the SGC required
- Arrangements you have in place for other employees
- Non-arm's length dealings.

**Example 1:** XYZ Pty Ltd has a sole director John. John's wife and children are the only employees of the company. An industrial agreement was negotiated internally that requires XYZ Pty Ltd to pay 15 per cent of each employee's salary into super.

In this example the six per cent superannuation paid (above the nine per cent SGC) is a reportable employer superannuation contribution as the agreement was not negotiated at arm's length.

**Example 2:** John asks his employer to salary sacrifice \$15,000 per annum into superannuation, therefore the \$15,000 is a reportable employer superannuation contribution.

## New Personal Property Securities Register

Consolidation of the various state and federal property security registers into a single registry of security interests will be welcomed by any business that retains an interest in an asset after it has become the property of a customer; one such example is before a final invoice is paid.

The single registry of security interests, effective from October 2011, will not just provide a much-needed simplification of the system, but will also expand the assets that can be included on the register. This will provide a greater level of security for businesses.

Under the new system, arrangements such as hire purchase agreements and leases, and retention of title claims, will now be included on the register.

Security interests are defined as 'an interest in property provided for by a transaction that secures payment or performance of an obligation'.

According to the *Personal Property Securities Act 2009* (Cwlth) reform, this may include intellectual property (such as patents), intangible property (such as contractual rights or licences) and financial property

(such as investment instruments, bonds, etc).

Both 'consumer' property, such as items used for personal purposes such as a car under lease and 'commercial' property, such as trading stock, plant and equipment, are covered.

Another change under the new system is that 'fixed' and 'floating' charges will no longer exist. They will instead be known as:

- security interests which attach to a circulating asset (floating charge)
- security interests which attach to a non-circulating asset (fixed charge).

The changes will ultimately provide a much simpler system for registering securities. Businesses that deal with customers throughout Australia will no longer need to record each customer on the relevant state-based registry. It will also make it much easier for liquidators to assess the rights of suppliers and debtors to companies they are administering, and speed up the process of returning money to those businesses.

In the short term, however, the changes will create some paperwork for businesses. They will need to redraft their terms of trade to take into account the single register.

It is important for businesses to familiarise themselves with the changes and the new terminology, and ensure they follow procedures correctly to retain title over their property.

For more information on these changes, please contact this office.

## Distributions to Companies

There have been a number of significant developments in relation to the taxation treatment of trust distributions to companies in the past 12 months.

If you have previously used or intend to use a company beneficiary as part of your tax

structure, it's very important that you contact this office prior to the end of the financial year to discuss these changes.

## ATO Benchmarking (Cash Economy Review)

You should be aware that the ATO is currently extremely active in conducting benchmarking analysis on businesses, based on profitability indicators. Where businesses fall outside these benchmark indicators, they are being asked to explain why and/or explain in detail their record keeping practices. The ATO is issuing amended assessments when the explanations are inadequate. Year end tax planning may be an appropriate time to discuss these issues with your advisor.

## Debtors

In lean economic times, cash flow is king. There are small but important steps which can be put in place to improve cash flow starting from when the invoice is produced.

When it comes to your invoice, it is worth considering:

- Does your invoice properly detail your credit terms?
- Do you require payment within a certain timeframe such as 7 or 14 days?
- Does your invoice include the following note so you can start to chase an outstanding payment immediately if it falls due:  
*TERMS*  
*Please note that our terms are 14 days from this invoice.*

By providing your customers details for both the means of payment and your payment address you are more likely to receive payment in a timely fashion.

Include your BSB, bank name and bank account details and, if appropriate, your BPAY information.

Do not pester clients, but ensure you are vigilant. Keep records of conversation or attempts to

contact the debtor by letter, email or telephone.

If all else fails, consider engaging the services of a debt recovery agency. If further work is required by the debtor, either negotiate an upfront payment or secure instalment payments during the course of your services.

For more information to improve your cash flow contact our office.

## Getting your business online

When you last needed to find a business provider, what means did you use to search for and locate a service? Increasingly, online search engines such as Google are being used. This begs the question, does your business have a presence on the Internet?

According to the *Getting Aussie Business Online* website ([www.gettingbusinessonline.com.au](http://www.gettingbusinessonline.com.au)) the Internet is now the first place Australians go to find information about businesses.

*Getting Aussie Business Online* set up by Google and MYOB aims to help 50,000 Australian businesses get online with their first website.

The website provides businesses the opportunity to set up an easy to update website for one year and a free .com.au domain for two years.

Having a web presence for no upfront cost allows you to, over time, assess the relevance and benefit of a website to your business. Business owners can analyse whether business growth has occurred as a result of the new web presence. If it has, you may wish to invest in further enhancing your website design and improving the services you provide clients through your online presence.

## Key tax-time issues

### Maximise your deductions now

One of the more popular strategies to legitimately maximise your deductions is by

prepaying some items of your business expenditure before 30 June (generally for small business only).

Before you prepay any business expenses, you should be aware that there are some rules that may affect your entitlement to claim a deduction for prepaid business expenses.

### COMMON PREPAYMENTS

Commonly prepaid business items include rent, lease payments, interest, audit and accounting fees, repairs and maintenance, and business related subscriptions.

### Bad debts

This is a real issue in the current economic climate and one that the ATO always takes a close look at.

If your business has a debt that has already been brought to account as assessable income and you can't collect that debt, you want to make sure you don't end up paying tax on income you can't collect.

The way you do this is to claim a deduction for this debt, where such a debt is 'bad' and is written off in your accounts before 30 June.

### TIP

A debt is likely to be considered as 'bad' when you have made an effort to collect it, there is little likelihood that you will ever be successful in collecting it and you have abandoned any debt recovery action.

### Value your trading stock at 30 June

You'll need to value your closing stock on hand and work-in-progress at 30 June. Resist the temptation to guess – this is a common mistake that businesses make!

When you value your trading stock, clearly identify which valuation method you use – cost, replacement, market value (or less if the stock is obsolete).

## Time saving strategies – stop multitasking

Trying to juggle too many things at once? Never seem to get any task finished? Multitasking might be the problem.

When running a business it is hard to avoid interruptions but try these easy ideas:

- Turn off your email message notification and instead check your emails once an hour.
- Set aside time each day to return calls. That could be 30 minutes before lunch and another 30 minutes in the afternoon.
- Take breaks – get out of the office at least twice a day – go for a walk to clear your head. It may take five minutes. The break will de-stress you and make you more focused.
- Eat lunch away from your desk. Use your lunch break as an opportunity to interact with staff in the lunchroom.
- Close your office door and ask for no interruptions if you are working on a difficult task
- Try to handle each piece of paper only once.

Taking these suggestions will save you time and help bring order to your day.

## Smile for the quarter

The local minister was fond of an occasional tippie, so the owner of the bar offered him a crate of cherry brandy for Christmas in exchange for a free advertisement in the church newsletter.

The minister reluctantly agreed and ran the following message in the next issue: "The pastor would like to thank Patrick O'Reilly for his kind gift of a crate of fruit and for the spirit in which it was given."

**DISCLAIMER:** The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein.