

Newsletter

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*This year's Newsletter has a mix of information, covering a wide range of topics.
We hope you get some value out of the following comments.*

Employee Starter Kit

Many business clients forget to offer a new employee one or more forms and pay the price later. It won't take much to set up a kit including a Tax File Number Declaration, Superannuation Choice form, Personal Details Form (name, address, date of birth, next of kin etc), Statement of Duties, Roles & Responsibilities and so on. All businesses will have different packages or kits to offer new employees. We have prepared a generic Checklist that can be used by most small businesses. Give us a call or send us an email and we will forward a Checklist to you.

ASIC

The Australian Securities & Investments Commission (ASIC) requires notification of a range of Company address changes. If you are a Director or Shareholder of a small private company and you change your residential address you need to notify ASIC within 28 days of the change. You also need to notify of any change in the Company's business address or Registered Office. The fines are substantial and excuses are not usually accepted.

Employee v Contractor

Many contractors choose to engage 'subbies' because they think they can escape the need to pay Workers' Compensation premiums and the 9% Superannuation. The ATO position is clear. They want workers put on wages and to receive their appropriate workers' compensation cover and superannuation support. If you are engaging a 'subbie' who might reasonably be regarded as a 'worker' you should talk to us.

Motor Vehicle Log Books

If you are required to keep a log book, you need to remember that they are only valid for 5 years. Prepare a new log book if you are close to the 5 year limit. If you are not sure if you are required to keep a log book, please give us a call. Do not underestimate the ATO capacity to disallow expenses if log books are not perfect.

Optional GST Registration

From 1 July 2007, GST registration is optional if your annual turn-over is less than \$75,000. This is currently \$50,000. This increased threshold allows some small businesses to pull out of the GST system and may encourage some businesses to work a little harder and still not breach the new threshold.

Workers' Compensation for Apprentices

For Workers' Compensation policies commenced or renewed from 31 December 2006, there will be a new requirement to report apprentice wages separately from all other wages. A new apprentice premium exemption will apply to wages paid to apprentices. If you have apprentices (not Trainees), working in your business you need to tell us when we are completing your annual Declaration of Actual Wages for Workers' Compensation purposes. We do not know if an employee is an apprentice unless you tell us.

Sale of Businesses

If you are buying or selling a business please keep us 'in the loop'. We have had recent experiences where clients have benefited greatly from our involvement in both the purchase and sale of businesses. Going it alone would have cost some clients many thousands of dollars in lost tax deductions, GST and Capital Gains Tax. Remember that the sale of a business requires a strategic plan. If you want to sell your business in a couple of years you need to develop your campaign now.

Bookkeepers Registration

When GST was introduced a new breed of self employed bookkeeper appeared on the scene, hoping to cash in on the increased amount of bookkeeping required under the GST system. Many of these bookkeepers were good at bookkeeping but had limited computer skills and had no tax or GST training at all. While the general standard of bookkeepers seems to have improved in recent years there are still many who cause accountants nothing but heartache. We often find that a well meaning bookkeeper has simply got out of their depth. The law currently says that self employed bookkeepers are not allowed to prepare Business Activity Statements (BASs) for a fee, unless they are members of specific professional associations or working under the direction of a Registered Tax Agent. Many existing bookkeepers are currently breaking the law and they don't even know it.

The government is now seeking to introduce legislation to have bookkeepers apply for registration as 'BAS Service Providers' if they wish to prepare BASs, or provide bookkeeping support to assist the business person in the preparation of BASs. This new legislation will set minimum standards for qualifications and for continuing professional development. This will no doubt see the exit of a number of bookkeepers and a general increase in the overall level of efficiency of the remaining registered bookkeepers. This is a positive step.

Business Name Registrations

Is your business operating under a business name that is not registered? Did you forget to renew your business name registration? The Office of Fair Trading looks after Business Name Registrations. If you are not sure what you need to do, give us a call.

Rental Property Owners

Rental property audits will again be a strong feature in this year's ATO audit activity and they will look closely at repairs, improvements and interest deductions. Some people are apparently claiming all of their expenses relating to their holiday home as tax deductions. Sorry, that's not allowed. The ATO has a current success rate of 90% in rental property audits.

If you are buying a residential investment property that was built from July 1985 we recommend you obtain a certificate from the vendor or the builder, confirming the property's eligibility for a building write-off deduction. In 1992 a law was introduced to require the vendor to provide the certificate if the property was built from February 1992. The tax deduction can be quite large and it is worth the effort. Talk to your solicitor about getting the certificate when purchasing the property.

Superannuation Changes

The changes over the last 2 years have been enormous. Whatever we or a financial planner have told you in recent years is now likely to be out of date. There are, for example, limits on how much you can contribute. From 1 July 2007 there is now a full tax deduction for self employed contributions. Don't rely on what you have previously been told...get more advice.

Self Managed Superannuation Funds (SMSFs)

Clients are always asking about how much money they need to get in to a SMSF. The ATO and ASIC seem to think that anything less than \$200,000 is not viable. We believe that it is not just the dollar value that is important. The big question is 'Do you have the skills, knowledge and time to act as Trustee?' Anyone who responds with 'How hard can it be?' has already failed the test.

Superannuation Co-Contribution for Self Employed

The superannuation Co-Contribution rules for self employed people are changing. From 1 July 2007 a self employed person can get the co-contribution if they have made a superannuation contribution for which they have not claimed a tax deduction. This means that you can pay say, \$11,000 into superannuation but notify the superannuation fund that you will only claim a tax deduction for \$10,000. The remaining undeducted amount of \$1,000 then entitles you to the co-contribution if your income is below the \$58,000 threshold.

Figures to Financiers

There is not a week goes by that we are not asked to provide current financial figures to Banks & Credit Unions, to help clients get business, motor vehicle or personal finance. We will do absolutely everything we can to get the figures to the financier, if we have received your 'tax work' in a timely manner. We cannot do miracles and we do not provide estimates or make up the figures to suit the occasion. There is no such thing as 'just whip up a quick Profit & Loss'. Please get your tax work in early if you think you may need finance during the year.

There is a general attitude in the finance world that it is easier to get figures from the accountant than from the client. While it may be relatively easy, it is certainly time consuming. If a financier asks for figures and we have already completed your tax work, please give the financier copies from the folder we have already given to you. We give you the folder to make it easy for you.

Vista

The new Microsoft Vista operating system has not been well received by a large number of small businesses. The system is often not compatible with current software. We recently installed a couple of new computers in our office and decided to keep our existing Windows XP software. If you are considering a new computer purchase, talk to your computer supplier about the compatibility of Vista with your current software. Please talk to us to discuss Vista's compatibility with your bookkeeping software.

“The guy down the road told me.....”

We often hear stories of what the 'guy down the road' claims as a tax deduction. Many of these stories are interesting to say the least. We were amused to hear that one of our own clients was making what you might call 'exotic' claims in his tax return. While many such stories abound from the bar stools at local watering holes or smoko on building sites, few are true. As many of you will know, you may pay the expense out of the business cheque account, but we 'cull' those entries that verge on the 'exotic'. While some of you may think you got away with it, we usually exclude the deduction from your tax return. Nice try anyway.

What do we actually do?

Someone asked us what we actually do. The usual answers about tax, GST and business advice rolled off the tongue. When we really thought about it we came to an interesting answer. 'We solve problems caused by someone else'. These problems may be caused by the ATO, Office of State Revenue, WorkCover, Centrelink, financiers and a multitude of others. Perhaps some problems are caused by the client.

Clients walk into the office and present us with problems every day. Staffing issues, computer problems, bookkeeping, creditors, suppliers, bad debts, audits, retirement concerns, health problems or even too much money can be a problem. We answer queries from government departments, semi-government agencies and financiers EVERY DAY. Most times we have already solved your problem (behind the scenes) and you never knew you even had one.

Problem solving is what we do...in case you weren't sure.

Email Addresses

Please send us an email to bruce@bng.com.au so that we can update our records with your correct email addresses. There are occasions when a simple email will allow us to pass on information or answer simple questions. Those clients who currently deal with us this way have already recognised the benefits.



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