
Client Information Bulletin

Wettenhall & Co

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SMSF – stronger Super

The Federal Government has released its response to the Cooper Review into Superannuation. In its final report the Government advised “The Self Managed Super Fund (SMSF) Sector is largely successful and well functioning. While significant changes are not required, there are still a number of noticeable issues, which, for the most part, do not directly relate to Trustees and Members, but instead to service providers”.

Key recommendations supported by the Government include:

- A new penalty regime (sliding scale) to be legislated versus the current scheme of compliant versus non compliant
- Mandatory education for Trustees who breach the rules
- Registration requirements for SMSF Auditors
- A review of the qualification requirements of auditor and an independent standards review
- A review of the current borrowing rules in two years time
- Related transactions to be more regulated
- Net market value to be used for fund asset valuation with the regulator providing guidelines on a standard valuation process for assets
- Legislation amended so SMSF Trust Deeds allow anything permitted by the *SIS/Tax Act* (Cwlth 1993) therefore minimising the need to prepare amended Trust Deeds.

Interestingly, the Government did not support the removal of the five per cent in-house asset limit, or the probation of the acquisition of collectables/personal use assets. It is noted that those who hold collectables/personal use assets will be required to annually value to net market value those assets. They can also no longer be retained in a member's residence or associated premises but must be professionally stored.

In short, the legislation will ensure that there is no 'current day benefit'. If these new rules cannot be met, the SMSF Trustee's will need to dispose of the assets by July 2016.

For more information about the Government's response to the Cooper Review and how it might affect your SMSF talk to Roly Wettenhall.

Share investment, trading or speculation?

Recently, the ATO has begun focusing on how taxpayers classify their share trading activity – whether it is share investment, trading or speculation.

In making a determination the taxpayer's intention is taken into account.

Investments

The intention should be to derive income through dividends or distributions and appreciation of the value of shares over the long-term

Speculation

The intention should be to increase the share value by holding for the short-term and having little to no regard for the income stream.



Chartered Accountants

Wettenhall & Co

+ 61 3 9640 0022 phone
+ 61 3 9642 3972 fax
0412 240 800 mobile

wettenhallco@optusnet.com.au

www.wettenhallco.com.au

Share trading

The intention should be to increase the share value held for the short-term with little or no regard for the income stream, with routine and systematic analysis and employ a plan or trading discipline.

It is important to know that you can shift from being a share trader to an investor or speculator, depending on your circumstances. There are clear rule changes that apply when shifting from a share trader to an investor or share investor to trader.

These factors need to be discussed with Roly Wettenhall when classifying your share trading activity.

Are your business systems responsive to growth and change?

Ensuring that your business system can handle growth and change is critical for effective tax governance. By 'business system', we mean the systems, processes and controls you have in place to capture and record GST information.

An ability to handle growth and change is particularly relevant to small-to-medium (SME) enterprises with growth potential and is important during periods of economic fluctuation.

Those businesses at risk include businesses experiencing rapid growth, restructure, mergers or de-mergers and businesses where there has been a change in accounting staff.

It's good to pay particular attention to your systems when you are going through a significant change or restructure. Ensure that your systems:

- are set up to report new branches correctly

- establish GST accounting processes
- invoice trading stock correctly on transfer to a new business
- properly integrate with any new computer or accounting systems
- correctly classify intra-group transactions subsequent to the change
- set up succession planning in terms of staff change or movement
- provide for staff training in the correct use of your systems.

Errors often occur because of incorrect interpretation of the GST law during these changes.

Ensure that your business has established procedures for seeking technical advice to confirm the correct treatment of GST transactions, and that your staff are aware of, and understand these procedures.

ATO cracking down on clients who fail to make repayments

The ATO have toughened up their stance on small businesses that fail to make repayments.

They have been issuing garnishee orders that enable the ATO to directly access funds held in a client's bank account.

If you have made a payment arrangement with the ATO ensure you make your repayments on time and contact Roly Wettenhall if you are having difficulty paying.

Extra time to lodge for those affected by natural disaster

The Commissioner of Taxation, Michael D'Ascenzo, announced

the ATO is allowing additional time for tax-related lodgements and associated payments for individuals and businesses affected by the recent natural disasters.

This includes:

- the lodgement of monthly activity statements since December 2010, if not already lodged
- any income tax lodgement and payment obligations since December
- quarterly activity statements (but does not apply to large Pay As You Go withholders)
- lodgement of superannuation guarantee charge statements for the December 2010 quarter.

The ATO has extended lodgement and payment dates for businesses affected by natural disasters in Queensland, New South Wales, Victoria and Western Australia (including those affected by the recent bushfires in Western Australia). Those in the affected postcodes will automatically have their lodgement and payment dates deferred.

All December and January monthly activity statement lodgements will be deferred until 21 March 2011 and all December quarterly activity statement lodgements until 28 March 2011. This includes any other lodgements due on 28 February 2011 that will be deferred until 28 March 2011.

The deadline for superannuation guarantee charge statements for the quarter ending 31 December 2010 has been extended from 28 February 2011 to 28 March 2011. This removes the risk of employers in those areas from being penalised for late lodgement.

However, the Commissioner does not have discretion in relation to the nominal interest component of the charge that is charged to employers who have not made contributions to a fund on time.

Temporary flood reconstruction levy

The government has introduced into Parliament a Bill aiming to introduce a one-year progressive flood reconstruction levy in the form of additional income tax on Australian resident and foreign resident individuals in the 2011-2012 financial year.

Effective reading of financial statements

Small business owners receive financial statements from their Chartered Accountants.

These financial statements provide valuable information about the financial performance of the business.

To understand the information and use it effectively, small business owners should firstly look at the Revenue and Gross Profit for the year. An increase or decrease in the Gross Profit will provide an understanding of whether prices of the goods and services sold match the increase in costs of making the goods and services.

Next, the small business owner should concentrate on the financial position and read the balance sheet. The ratio between current assets and current liabilities is a measure of how well the business will be able to meet its debts in the next 12 months. If the current liabilities exceed current assets, then the business may require further funding from its banker.

A Cashflow Statement is a useful document indicating how the operation is funded. Whether the operations of the business funds the positive cashflow, or whether the borrowing of funds from the bank has provided the positive cashflow, or the sale of assets has created a positive cashflow. Conversely, Cashflow Statement can indicate that the business is running out of cash.

If the financial statements are audited it is also prudent to read the auditor's report, and ascertain whether the financial statements have been 'qualified'. This means that there is an issue that causes the auditor to question the value of an asset, or question whether all liabilities have been disclosed. Further the auditor may question the viability of the business.

The Notes to the Accounts are also important as they provide an insight into the story behind the figures.

Effective reading of financial statements will provide useful information to the small business owner on their own business or on potential businesses they may want to acquire. Working together with Roly Wettenhall will be beneficial in understanding financial statements and making investment decisions.

Flexible working arrangements

On returning from his Christmas holiday in January 2011, former Tasmanian Premier David Bartlett announced his resignation from public office.

It took the simple journal entries of his seven-year-old son to convince the former Premier to step away his role in public office and again brought the issue of seeking to achieve a work/life balance back into the public domain. Whilst stepping away from employment is not an option for many of us, the opportunity to explore more flexible working arrangements may be.

Flexibility in the workplace may be sought for a variety of reasons whether it be to care for family members, to provide greater opportunities to engage in hobbies and community activities, to avoid long commutes, to transition to retirement or to pursue

additional education opportunities.

By approaching flexibility in the workplace proactively, flexible arrangements can be designed which suit the needs of both the individual and the business. A flexible workplace can allow employers and employees to decide on working arrangements which are better tailored to suit staff needs including job sharing, flexible start and finish hours, part-time arrangements, staff participation in rostering arrangements, working from home, purchasing extra annual leave, career breaks and extended unpaid leave.

Flexible work practices can deliver benefits to both employers and employees. Individual flexibility can lead to increased job satisfaction, a greater sense of self-worth and improved morale, and can help attract and retain skilled and valuable staff thereby benefiting workplace productivity.

The Federal Government's Job Access website – *How to Negotiate a Flexible Working Environment* gives examples of flexible work arrangements and outlines steps on how to introduce flexible arrangements in an organisation. Additionally, the Fair Work Ombudsman has published *'Best Practice Guide, Use of Individual Flexibility Arrangements'* a publication explaining how employees and employers can best utilise flexible work practices.

Workplace flexibility is more than a change in schedule. It is a way of thinking and working that seeks to help employees make their best contributions in the workplace and simultaneously manage their personal lives.

Achieving an improved work/life balance, so keenly sought by many today requires businesses to engage their employees. Only through this engagement can businesses identify innovative solutions and provide the tools necessary for management to implement these arrangements.

Supporting employees with mental illness

When running a business, looking after your staff is of paramount importance. It is of benefit to everyone that the employer be aware of employees experiencing the effects of mental illness.

Mental illness warning signs include:

- Decreased productivity
- Increased accidents and safety issues
- Poor work performance
- Deadlines being missed
- Decreased motivation
- Excessive overtime
- Grandiose ideas
- Anger
- Irritability
- Concentration difficulties
- Difficulties in making decisions
- An inability to co-operate
- Absence and late arrivals

The loss of a good employee due to depression or other mental health issues can have a large impact on the business' performance and profitability.

Good management and an awareness of the situation may assist the employee experiencing these issues to take action and seek medical advice. It can also help the employer build support structures necessary to alleviate any disruption to running the business on a day-to-day basis.

The five P's of success in retail

Having successfully navigated the testing waters of retail business Janine Allis, founder of Boost Juice provided her definition of the traditional 'five P's' of successful retailing.

According to Allis, they are:

People

Your people are your greatest asset and biggest liability.

Businesses that spend more time with their employees will be more successful 80 per cent of the time. Train your employees and the benefits will flow.

Position

It costs the same amount to build a site in a poor location as it does in good one.

Be patient while finding the best location.

Product

Make sure you understand the costs of your product, and ensure it is delivered in top quality and at a price agreed.

Price

Customers will pay more for quality. It is always a good strategy to have a variety of prices and some cheaper products. This will encourage new customers to try the products.

Promotion

No one goes into an empty store.

Make sure the store attracts customers. Consider giveaways and provide promotional material as a way of "getting to know us".

Source: BRW

Issues to consider when setting up a web page

As a small business owner wanting to gain new customers and market your business, you should consider setting up a web page.

Before undertaking this activity there are several issues you should raise with your web designer:

- Does your business own the intellectual property rights to your website, including the design, and content?
- How easy is it to add new details to the site and change existing content to keep the website up to date?
- Does the web designer have support in case they are unable to continue working for you? Are they easily accessible to attend to any rectification issues or updates?
- How can the web designer provide evidence that the site is working? Are there reports available to evidence hits to the site?
- What experience do they have in, and can they provide evidence of their design work?

An effective website requires creative design and continuing support to ensure it provides a return on the investment made.

DISCLAIMER: The contents of this publication are general in nature and we accept no responsibility for persons acting on information contained herein without first consulting Roly Wettenhall, Wettenhall & Co on +61 3 9640 0022 or email roly@wettenhallco.com.au