

Newsletter



PROFESSIONAL ACCOUNTING AND BUSINESS CONSULTANTS

■ MARCH/APRIL 2011

Welcome to the March/April Edition of our newsletter. We are headed for some busy months ahead as noted in our Tax Diary below.

Current Tax Diary

31 March 2011

2010 Income Tax Return due date for lodgement and payment (if required) for Large/Medium business taxpayers and Tax Level 6 individual taxpayers

21 April 2011

March 2011 Monthly Activity Statements due date for lodgement and payment (if required)

28 April 2011

March 2011 Superannuation guarantee contributions due date for payment
March 2011 Quarterly PAYG Instalments due date for payment (or variation if required)
March 2011 Quarterly Activity Statements due date for lodgement and payment (if required)

15 May 2011

2010 Income Tax Return due date for lodgement and payment (if required) for all other entities not required earlier and not eligible for the 05 June concession

21 May 2011

April 2011 Monthly Activity Statements due date for lodgement and payment (if required)

26 May 2011

March 2010 Quarterly Activity Statements due date for lodgement and payment (if required) lodged through a Tax Agent

28 May 2011

2011 Fringe Benefits Tax Return due date for lodgement and payment (if required)

05 June 2011

2010 Income Tax Return due date for lodgement and payment (if required) for small business taxpayers with no tax payable in the prior year and up-to-date lodgements

21 June 2011

May 2011 Monthly Activity Statements due date for lodgement and payment (if required)

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Property in Partnership

Are you looking to buy property but struggling with the rising costs of real estate?

Many Australians find themselves in this situation in the current economic climate as housing affordability becomes more difficult. A growing trend is for people to buy a property 'in partnership' with others to split costs of purchasing and maintaining a property. It could be an investment property, a joint residence or a holiday home – There are no restrictions on the property or what it is used for.

It is getting more common for friends and family to enter into these arrangements, but you need to be very careful in setting them up. You should not even look at this option until you have a written agreement considering everything that can go wrong. Here are a few tips on considerations to be made upfront by all parties involved:

1. Time Frames – Does everyone plan to invest over a similar investment term? There's no point investing in a property with someone who wants to own it for 20 years when you are looking to sell in 5 years.
2. Friendship breakdowns – Is there an agreement in place that deals with any fallouts between the parties?
3. Financing – Is there going to be joint finance obtained on a single loan only? Is each party going to secure their own finance by way of existing property equity? These questions will determine who is responsible for the loan repayments and who is responsible for the loan liability. Very few lenders, if any, will allow individual loans for the same property.
4. Buy-out clause – There should always be allowances for one party wanting to sell before another and this should be clearly written into the agreement. Does the selling party have to sell to the existing owners or can it be sold to anyone? If it needs to be offered to existing owners then how is the value determined?
5. Cost splitting – Are the general costs of maintaining the property to be split in the same proportion as the ownership? There could be the complication of one of the owners living in the property or doing the majority of maintenance, both of which are difficult to measure accurately.

The above list is not exhaustive – there may be many other factors you need to agree upon in your particular circumstances, so it's far from a simple investment. However, as long as all considerations are agreed upon upfront before any financial investment becomes a factor then there is no reason owning property with others can't be a viable option, particularly for those looking to get into an ever-increasing property market.

PETE'S IN A PICKLE...



Last Issues solution:
*Prancer, Cupid, Rudolph,
Dasher, Blitzen, Vixen,
Comet, Donder, Dancer*

It was Easter in Easter village and all the Easter bunnies are joyful. The annual Easter egg hunt was just finished. The Easter egg hunt is where four Easter bunnies search for any of the four colored eggs and then cross the finish line. Can you figure out which Easter bunny found which egg and what place they finished?

Easter bunnies- Mr Hops, Jumper, Long Ears, and Mrs. Littlenose

Easter Eggs- blue, red, green, and yellow

Clues:

1. Long Ears did not finish in 2nd place.
2. Jumper did not finish in 1st.
3. Long Ears found the red Easter egg.
4. The bunny that finished in 2nd did not find the green egg.
5. Mr. Hops did not find the blue egg.
6. Littlenose did not finish in 2nd.
7. The bunny that found the blue egg did not finish in 1st or 2nd.
8. Hops finished in 4th.





Casey Partners 17th Make A Wish Charity Golf Day

On Thursday 2nd June 2011 we will be holding the Casey Partners 17th Make a Wish Charity Golf Day at the Keysborough Golf Club.

Over the past 16 years we have raised just short of \$400,000 to assist the work of the Make a Wish Foundation sponsoring wishes to children afflicted with life threatening illnesses.

The participants are largely clients of the firm and major sponsors and local businesses. Major sponsors for the last 16 years have been Casey Partners, Andrew Gray & Associates, Central Star Mercedes and Active Display Group. Other sponsors over the years and who continue to support the day include Computer Initiatives, OAMPs, Fenton Consulting, Airepair Airconditioning Services, Bardie Russell and Jason Bradford.

Major sponsors and donors are acknowledged on course and in clubhouse signage in addition to acknowledgement at the presentations. For those sponsors who wish to participate in the competition on the day, we can reserve a group for them. Whilst fundraising is important, we are well aware of the need to ensure all have a wonderful day and will come back again. All donations are gratefully received and all funds raised are contributed directly to Make A Wish.

As it is an ambrose day it's not just the best golfers who can win. The prestigious NAGA recipients have included Brad Wiseman (Airepair), the Watkins family and Rob Sutherland, although none will admit their win.

One would expect from the first week of Winter the day would be cold and wet, not to be however as over the 16 years we have only had two days of drizzle. Despite it being cool however, the mobile Coffee Van, culinary skill of the Make a Wish volunteers on the BBQ and the odd donut or two from Donut King keeps everyone warmed up for the day ahead. The golf is interspersed with various challenges including putting and chipping competitions, matching skills with the professional etc. and yes there are prizes for those of us who are not so good at Golf.

After the round, it's back to the clubhouse for a sit down lunch, but first some entertainment from one of Australia's best comedians – previously Andrew Startin and Marty Fields – this year British born comedian Bob Franklin (a regular on Channel Ten's 'Thank God You're Here'). Afterwards presentations and a brief update from Make a Wish and presentation of a wish.

Should you wish to become a sponsor or participate in the day, please call Peter Cousins for more information.



Electronic Banking

and its potential risks

The banks are constantly encouraging their personal and business customers to use electronic banking however there are risks associated with the same.

Electronic bankers need to protect themselves against the many risks associated with electronic banking. Banks recommend the following:-

1. Ensure you have up to date anti-virus software and a firewall installed on your computer.
2. Never use a public computer when you are banking electronically.
3. Don't give any confidential information or banking passwords over the phone unless you have made the call or via emails you may receive
4. Ensure your password is secure by choosing letters and numbers for the password and change your password regularly
5. Ask your bank for two-factor authentication security.

Two-factor authentication is where the user must provide two types of identification (i.e. a token that generates a different number to validate a transaction) and a password or PIN. It is even more secure with multiple authorisers (signatories) thereby further reducing the risk of fraudulent transactions.

Using two-factor authentication is not compulsory by banks but it should be a compulsory thing within your business.

Meet the Team

Darren Adams



Role at Casey Partners:

Darren has just commenced work at Casey Partners as an Accountant. Darren comes to us as a Graduate Accountant with a few year's experience from another accounting firm. He has experience in Small Business taxation, Individual tax returns and has also worked on Self-Managed Superannuation Funds, so we hope to continue to build his experience and exposure to the different taxation issues experienced by our clients.

Favourite TV Show: How I Met Your Mother

Favourite Food: Chicken Parma

Worst food: Cream by itself

Family: Mum, Dad and older sister Jess and girlfriend Stacey

Pets: A golden retriever named Bracken, and a greyhound named Muzza

Hobbies/Interests: Golf, Cricket, Gym, Watching Sport



Callen O'Brien Appointed Director of Casey Partners

We are pleased to announce Callen's appointment as a Director of Casey Partners.

Callen commenced with the firm in 2007. Having worked in a local Accounting Firm from the age of 18, Callen obtained his Accounting degree and CPA accreditation and experience working with a wide range of small business clients.

Callen demonstrates the core values of the firm of honesty, integrity and the willingness to help clients achieve their financial goals. His expertise is in the area of small and medium size businesses.

Callen is a keen tennis player and doting father to his two young daughters.

We look forward to Cal helping to take the firm forward for its second quarter of a century.

BUSINESSES FOR SALE BUT.....

The GFC has seen the delaying of the exit of many 'baby boomers' from their Small and Medium sized Enterprises (SMEs). Values of the business's dropped dramatically for a number of reasons:-

- *The business became less profitable due to the GFC.*
- *There were fewer buyers because of the effects of the GFC on the potential buyers of businesses.*
- *There was no finance available as most of the banks put up the 'Closed for Business' sign to new business lending.*

As we emerge from the GFC and 'hopefully' head into a more stable and buoyant economic time, these businesses will and are coming onto the market. With retirement plans having been postponed, vendors will be keen to sell, however; this may not be reflected in them accepting discounted offers.

The banks remain conservative with business lending and are looking only at the best of deals, where the borrower can offer good security and equity. As the 'poor' banks have struggled through the GFC and the cost of their funds has increased, they are looking to pass that increase in cost onto the borrower as well as presumably trying to claw back some lost profit. We therefore now see typical bank margins on lending to businesses of between 2.5% to 3.5%. I.e. The margin on top of what the cost of the money is to the bank. The banks however have not got their full appetite back for business lending, therefore these margins will remain until we get more competition amongst the lenders.

In looking to acquire a business, we strongly recommend you:-

- Undertake substantial due diligence on the business to acquire the full history of the business and the industry it operates within.
- You establish the cash flow pattern of the business and look to developing projected Profit and Loss, Cash Flows and Balance Sheets for the business.
- Establish a business plan which includes the above and make this available together with a complete picture of your financial position and plans to potential financiers.
- Explore whether there is any 'win win' position with the vendor, whereby you purchase concessionally, however, pay a reward to the vendor if the business produces a better result than expected, (an earn out) or the vendor part funds the purchase.

We have assisted clients in evaluating and negotiating the purchase of many businesses over the years. We have also more often than not, discouraged clients from purchasing a business that we believed to be unsuitable or too expensive. Whilst it is disappointing having to on occasions pour cold water on the clients dream, we have been able to prevent some inappropriate investments which would have cost the client much grief and financial hardship.

Our service has also extended to the valuation of businesses for third parties for the use of matrimonial financial settlements, etc.

Feel free to call us to discuss any potential acquisitions and how you may go about them. Dare to dream, but let us wake you with a dose of reality where needed.

Freaky Facts...

Did you know....

When cats are happy or pleased, they squeeze their eyes shut?

If you keep a Goldfish in a dark room, it will eventually turn white?

Some kinds of frogs can be frozen solid then thawed, and continue living!

Unsecured Creditors

You're a Creditor of a Customer that is now in Administration

You have found yourself with a slow payer which you have been chasing payment and you find yourself unable to recover that debt. The next thing you realise from word of mouth or an advertisement in the law notices that your debtor has gone into Administration.

In these cases it is important to the following necessary steps to ensure you do not miss out on a potential recovery of your outstanding debt.

Ensure your details are submitted to the Insolvency Practitioner handling the affairs of the administration

Usually, when an Administrator is appointed, the insolvent will submit a list of creditors they have, however, from time to time if books and records are incomplete, you may not be down as a creditor of the company. Please contact the Insolvency Practitioner who has the administration to ensure you receive all future correspondence such as Notices of Meeting of Creditors and Administrators Reports.

Submit a Proof of Debt to substantiate your claim as a creditor of the company

Once you are receiving correspondence from the insolvency practitioner, it is important to ensure that you submit copies of any source documentation that you have in relation to the outstanding debt you are owed.

Supporting documentation can include invoices, delivery receipts and Retention of Title Clauses on your stock (if applicable). By supplying the supporting documentation with your proof of debt you can then justify your claim as an unsecured creditor and are eligible to receive a dividend should there be a return available to the unsecured creditors. Although, you may not receive all your monies outstanding, you may receive a portion of the funds available to unsecured creditors should there be sufficient funds available.

Unsecured creditors rank below Secured Creditors (e.g. Banks, anyone with a secured charge over the entity) and Priority Creditors (e.g. employees).

It is important to remember to have good credit control procedures in place to reduce the likelihood and risk associated of having bad debts. For assistance, should you find yourself a creditor for an insolvent entity, please contact our office and we will be able to assist your further.

The best action against bad debts however is prevention (i.e. do not enter into the credit sale in the first place with a customer you continually have collection problems with, and ensure appropriate credit policies are communicated with customers and strictly enforced).

In our experience, the best businesses are those that have the ability to 'choose who they want to sell to'.



Workplace Health Checks – Have you booked yours?

Worksafe Victoria is currently providing free Work Health checks to Victorian businesses.

Checks take approximately 15 minutes per employee and cover a wide range of things such as discussing employees personal risk of heart disease and type 2 diabetes. They also look at personal diet, exercise, smoking and alcohol consumption.

Each employee completes a short questionnaire and has their waist circumference, blood cholesterol, blood pressure and blood glucose measured. Information and advice is given to each employee immediately based on their results

All results are strictly confidential. Employers with 50 workers or more will receive a summary report which does not identify anyone but can be used by the employer to help promote healthy workplace practices and policies.

For further information you can visit workhealth.vic.gov.au/apply or call 1800 136 089



Fringe Benefits Tax

- What You Need to Know

Fringe benefits tax (FBT) is a tax paid on certain benefits employers provide to their employees or their employees' associates in place of salary or wages. Fringe Benefits tax can also apply to benefits provided to contractors if they are deemed an employee.

The FBT year is from 1 April to 31 March and the tax is usually payable in May or as an instalment on your quarterly BAS. .

Although most employers may not pay fringe benefits tax, most will still have fringe benefits issues that need to be addressed and treated correctly to ensure exposure to FBT is minimised. For example, this can be done by employees paying the value of the private benefit in relation to motor vehicles benefits or ensuring all entertainment/gifts are under \$300 therefore treated as minor and infrequent.

Some examples of fringe benefits provided are:-

MOTOR VEHICLES

This is the most common fringe benefit provided.

Utilities

Utilities are exempt provided they are over 1 tonne, on the approved ATO list as an exempt vehicle and your employee has made a declaration that the private use is irregular and infrequent. Driving to and from work is allowed.

All other vehicles will need private use calculations and either an employee contribution paid or payment of fringe benefits tax.

Logbooks

Logbooks provide the best way of accurately determining the business use of a vehicle. You must log 12 weeks of all your business trips with details of the purpose of each trip. Provided that your usage doesn't change a log book is valid for 5 years. When you upgrade your car you can use the same logbook for that car provided the usage is the same. Please ensure all logbooks are up to date.

Recording Keeping

Please ensure that you have accurately recorded all the operating costs for each vehicle

Odometer Reading @ 31/03/11

All vehicles need to have their odometer reading taken as at 31st March, 2011. If you do not have a log book, we will determine your private use by the statutory formula.

MINOR BENEFITS/ENTERTAINMENT

There is no clear definition of a minor benefit in the FBT Act however it is considered to be minor if the benefit is less than \$300 (GST inclusive) and is of an irregular and infrequent occurrence. Examples of minor benefits are:-

- Christmas Party at a restaurant for all your employees costing < \$300 each
- Gift to your employee for their birthday or special occasion costing < \$300

Once a benefit is over \$300 then minor benefits no longer applies and you will be exposed to fringe benefits tax.

Please note that although minor benefits are exempt from fringe benefits tax you cannot claim a tax deduction for this expense or claim the GST credit.

EXPENSE PAYMENT BENEFITS

Employees may salary sacrifice expenses that are not necessarily a tax deduction. These are subject to fringe benefits tax. Examples of these are:-

- Hospital /Extras Insurance
- School Fees

SALARY SACRIFICE – Deductible Expenditures

Employees may salary sacrifice expenses that are deductible and work related. In these circumstances you should get your employees to sign a declaration that the expenditure is 100% tax deductible. You also need to ensure that you have an effective salary sacrifice agreement in place. Examples of these are:-

- Professional Membership Fees
- Self Education Expenses

Fringe Benefits Tax is a complicated area but needs to be addressed by any business providing benefits to their employees. Please ensure that you speak to your client manager if you are unsure of any FBT issues.