

# Newsletter



PROFESSIONAL ACCOUNTING AND BUSINESS CONSULTANTS ■ NOVEMBER/DECEMBER 2011



Welcome to the November/December Edition of our corporate newsletter.

Wishing you all a safe and Happy Christmas and New Year.

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## Special Features

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- Christmas Facts!

## Tax Diary

### 21 December 2011

November 2011 Monthly Activity Statements – final date for lodgement and payment.

### 15 January 2012

Income tax returns for companies, superannuation funds and trusts that were taxable medium to large business clients in the prior year and are not required to lodge earlier.

### 21 January 2012

December 2011 Monthly Activity Statements - final date for lodgment and payment.

### 28 January 2012

Superannuation Guarantee Contributions due to be made to a superannuation provider for December quarter.

### 21 February 2012

January 2012 Monthly Activity Statements – final date for lodgement and payment.

### 28 February 2012

Income tax returns lodgment and payment due date for medium to large business taxpayers (Companies and Trust) and self-managed superannuation funds (taxable and non-taxable) that are new registrations.

### 28 February 2012

October – December 2011 Business Activity Statements – final date for lodgement and payment, including electronic lodgements.

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## HO! HO! HO! Get your 2011 Tax Done!!!



Avoid delays during the Christmas-New Year period – & get your 2011 Information in to us pronto...!

The ATO closes over the Christmas-New Year holiday period.

Please be aware that the later you get your information to us the more likely you are to be affected by delays. With the final lodgement date for many 2011 returns to be lodged being 15 March 2012 time is running out.

## What Drives Your Business?

Are you aware of the key performance indicators in your business? For instance, what impact would a 5% increase in prices have on your business profitability and cash flow? What impact would a 5% price rise of your goods or services have compared with say a reduction in price but increased turnover?

Through our business analyst software Profit Optimiser, we can monitor your Key Performance Indicators and do numerous 'what if' scenarios to assist with decision making in your business. This software is widely used by the major banks in making credit assessments on their clients for lending and pricing of their credit.

Combined with 'three way projections', Profit Optimiser becomes a very powerful business tool. What are three way projections' you may ask? Well this entails budgeted projections of future profitability, cash flow and balance sheet. By using this type of modeling a detailed picture of future business trading can be prepared.

In difficult economic times we need to really think about our businesses and question how we are doing things and if there is a better way. These tools help immensely.



### Christmas Facts

#### Did You Know....?

Germany made the first artificial Christmas trees. They were made of goose feathers and dyed green.

## Meet the Angel on top of the Christmas Tree



### Michelle Stanton

#### Role at Casey Partners:

Michelle started at Casey Partners just over 4 years ago. Michelle works as a personal assistant to Peter Cousins and is also responsible for preparation of accounts for our client's superannuation funds as well as office administration.

**Favourite TV Show:** Dare I say it...The Bachelorette!! And my favourite movie has to be Bridesmaids.

**Favourite Food:** Thai food.

**Worst food:** Don't really have one.

**Family:** My husband Justin, two gorgeous kids Brooke aged 11 & Jack aged 8 & two spoodles – Eddie and Boomer. Oh & a fish called Harvey.

**Favourite Holiday Destination:** Haven't really travelled much only interstate but going to Thailand next year so will have to mark that one as my favourite! My favourite camping place is Cumberland River.

**Hobbies/Interests:** Spending time with family & friends, painting, camping, shopping & going to gym.

**Favourite thing about Christmas:** Seeing how excited my children get on Christmas Eve & Christmas morning & spending time with family.





## Have Yourself a Merry Little Christmas – and don't let FBT get in the way!!

With the Holiday season fast approaching, there has often been a great deal of planning in some businesses in respect to the work Christmas party. Most of us overindulge and feel a little sore and sorry the next day, but it might help ease the headache if you know the facts when it comes to Fringe Benefits Tax (FBT) and Entertainment expenses.

A Fringe Benefit provided by you to either your employees and their associates (spouses and children), may attract FBT (a tax that is about equal to the amount of the benefit). However, you can avoid FBT by applying the \$300 (incl. GST) minor benefit exemption. We have a table below to help assist with some of the common expenses during the festive season as well as help you understand the differences when the party is held onsite or offsite.

Expense Details		Examples	Subject to FBT	Tax Deduction	GST Credit Available
Gifts to Employees and Associates	Non-Entertainment	gift vouchers, flowers, wine, hampers	No (if under \$300)	Yes	Yes
			Yes (if over \$300)	Yes	Yes
	Recreation	Tennis tickets, theatre ticket and airfares	No (if under \$300)	No	No
			Yes (if over \$300)	Yes	Yes
Gifts to Client and Suppliers	Non-Entertainment	gift vouchers, flowers, wine, hampers	No	Yes	Yes
			Recreation	Tennis tickets, theatre ticket and airfares	No

Christmas Parties		Subject to FBT	Tax Deduction	GST Credit Available
On Site	With Employees	No	No	No
	With Clients	No	No	No
Off Site	With Employees	No (if under \$300 on a 'per head' basis)	No	No
		Yes (if over \$300 on a 'per head' basis)	Yes	Yes
	With Clients	No, clients are exempt for FBT purposes	No	No

### Recording your expenses for Gifts and Entertainment

We ask that our clients consider the following in recording these expenses. Please refer to the above table for clarification.

- Code any gifts to clients and suppliers to Advertising/Promotion taking into consideration from the above table where GST is applicable.
- Code any gifts and entertainment expenses to employees and associates to an Entertainment expense account taking into consideration from the table where GST is applicable.
- Include a description of what each expense was for, where it was held (either on site or offsite), who attended and the number of people who attended (either employees, suppliers and associates).

As FBT is quite a complex area, we ask that you contact your client manager if you are unsure of any potential FBT issues. This will all help in the lead up to the end of the FBT year (31st March 2012).

## Small Business Superannuation Clearing Gingerbread House!



**A**re you a small business with less than 20 employees?

There is a new government initiative which hopes to reduce your administrative burden when it comes to superannuation payments. Rather than making up to 20 separate and regular payments to each employee's individual superannuation fund, this 'clearing house' allows you to make one single electronic payment which will be distributed to each individual employee superannuation fund. You only need to enter your employee details once and then each time you make a superannuation payment you will need to simply enter the contribution amount against each employee

The government recognises that small business often have difficulty keeping on top of administrative and employee-related compliance and this new initiative hopes to ease those burdens. The main benefits are:

- It's free
- It's simple to use
- It reduces the time and paperwork involved in making multiple payments to different Superannuation Funds; and
- It helps you meet your superannuation guarantee obligations

For more information or to register go to [www.medicareaustralia.gov.au/super](http://www.medicareaustralia.gov.au/super) or contact your account manager to discuss further.

## SMSF Borrowing Rules

*– break them and you may get Frosty the Taxman*

It's been over 4 years since the ATO allowed borrowing within a Self-Managed Superannuation Fund. We've had quite a few clients go through the process in the last 12 months and learnt that you need plenty of patience when dealing with the banks on SMSF borrowing. There is significant variation between the conditions imposed by the big banks, with currently up to around 2% difference in interest rates and thousands of dollars of variation in establishment costs.



The ATO have recently clarified some of the borrowing rules as follows:-

- The asset purchased must be a single acquirable asset, but can now include an apartment with a car park on separate titles or a commercial building (such as a factory) spread over multiple titles.
- Borrowed money still cannot be used to "improve" a property, but the ATO have confirmed that money already held within the Super Fund can be used to improve a property with borrowings.
- Care must be taken with replacement assets with borrowings held over the asset. As an example, if a four bedroom house with borrowings burns down and the insurance proceeds are used to build two townhouses or a five bedroom house there may be a contravention of the law. Care must be taken to replace an asset with borrowings with a "substantially similar" asset.
- "Off-the-plan" purchases are allowable as long as it all forms part of one contract. The Super Fund is unable to purchase the land in one contract and build using another contract if the borrowing rules are to be utilised.

So the process is gradually getting easier, but there is still a way to go and many considerations specific to your Super Fund. If you want to discuss your options please call Callen O'Brien or Katherine Hose to go through in more detail.



## Cous's Christmas Corner...

### Saying a Prayer for the Christmas Meal

Jack, A seven-year-old boy, was asked to say thanks for the Christmas dinner. The family members bowed their heads in expectation. Jack began his prayer, thanking God for his Mummy, Daddy, brothers, sister, Grandma, and all his aunts and uncles. Then he began to thank God for the food. He gave thanks for the turkey, the stuffing, the Christmas pudding, even the cranberry sauce. Then Jack paused, and everyone waited ... and waited. After a long silence, the young fellow looked up at his mother and asked, "If I thank God for the Brussels sprouts, won't he know that I'm lying?"



## Make sure your business can finance your retirement

According to the Australian Bureau of Statistics report: Characteristics of Small Business Operators, there are 1.6 million small business operators in Australia and of these, more than one third are aged over 50<sup>1</sup>. This means that more than half a million small business owners could retire before 2025.

For some, the family business will become a legacy and be handed down to the next generation, but one leading Australian succession planner believes that more than half of all small business owners in Australia plan to use their business as the primary source of funding for their retirement<sup>2</sup>.

This means the business must be sold, but who will buy it? Is there a group of competent employees to take over through a management buyout, or does it have to be sold to strangers or even business competitors? And how can the company be internally structured to maximise proceeds from the sale while minimising taxes?

Australian Tax Office research shows that around 60 per cent of businesses do not have a succession plan in place<sup>3</sup>, so while many small business owners will have thought about this issue, others may be deferring key decisions until it is almost too late to make the most of what is usually a once-in-a-lifetime opportunity.

### Step 1: The succession plan

The first step is usually to decide what your preferred succession option is – hand the business down within the family, sell to current partners and senior employees, or sell to a third party? Each of these choices then leads to more options.

Even a “simple” solution such as handing the company on to the next generation may raise issues of who is going to take over, and whether or not siblings who do not actively run the business will share in the profits.

A management buyout or sale to a third party will also raise issues – will payment be made in cash, for example, or partly financed by the seller? Will the founder remain involved

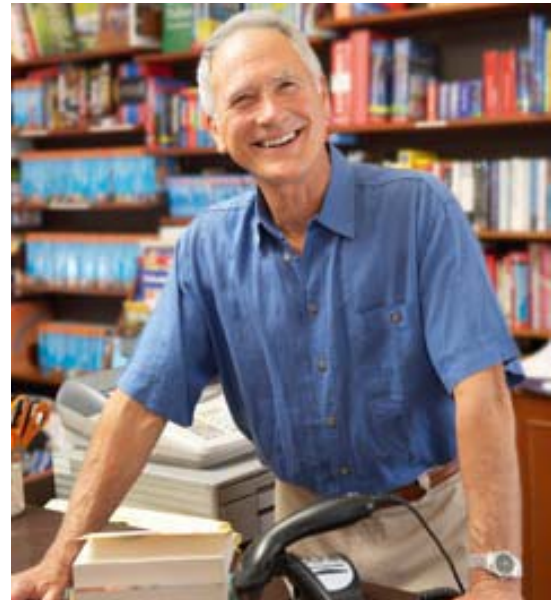
in the business as a board director or minor shareholder? Will the final payout be dependent on future performance? Finally, two critical questions: how can the proceeds be maximised to boost the owner’s superannuation, and how can capital gains tax be minimised for the retiring owner?

### Step 2: Tax-effective succession

Capital gains tax concessions for small businesses are significant, and can include exemptions on the sale of businesses owned for more than 15 years, a 50 per cent reduction on the sale of current business assets, an exemption in the case of the sale of assets prior to retirement or a small business roll-over option subject to meeting certain conditions<sup>4</sup>. However, it is essential to structure the business to maximise these concessions. For example, if the company is less than 15 years old, should the primary value be allocated to the shares in the business or the assets it owns? These are issues for your accountant to advise you on.

Superannuation is an attractive destination for the proceeds from selling a business, since the seller may be exempt from the standard non-concessional contributions cap and contribute amounts up to the capital gains tax lifetime cap of \$1.205 million from certain sale proceeds, or CGT-exempt funds up to \$500,000, directly into a super fund<sup>5</sup>.

Finally, if the seller of the company has a self-managed superannuation fund (SMSF), it may be possible for the SMSF to purchase the business premises from the company. This means that you may have an opportunity to retain business real estate in your superannuation portfolio free of capital



gains tax, yet remain free to sell the goodwill, turnover and other assets of the business<sup>6</sup>.

### Effective teamwork essential

Small businesses come in all shapes and sizes, from one- or two-person consultancies to larger companies employing many people, but whatever the size of your business, you usually need specialists on your side to achieve a successful succession plan – a business accountant, your financial planner or a solicitor.

Your accountant or succession planner will assist in valuing the company and advise you on an asset structure that will maximise available tax concessions. Your financial planner, together with your accountant, can develop strategies to manage the transfer of the capital gain into superannuation, helping you to set up an SMSF if this option suits your needs, and advise on the options for converting all or part of your super into a tax effective retirement income.

**If you own a small business and you do not yet have a detailed succession plan in place, don't wait until it is too late. Talk with your accountant and financial adviser now, or better still, make it a three-way conversation.**

1 <http://www.abs.gov.au/ausstats/abs@.nsf/mf/8127.0>

2 <http://www.successionplus.com.au>

3 <http://www.successionplus.com.au/>

4 ATO.

5 *ibid.*

6 [http://cpaaccountants.com.au/Business\\_Capital\\_Gains\\_Tax\\_Pitfalls\\_Possibilities.htm](http://cpaaccountants.com.au/Business_Capital_Gains_Tax_Pitfalls_Possibilities.htm)

# Merry Christmas

We wish you a safe, happy  
and prosperous 2012

The offices of  
Casey Partners and Genesys Wealth  
Advisers  
will be closed from Thursday 22  
December 2011  
until Monday 9 January 2012

For urgent matters please contact  
Peter Cousins on 0417 269 610 or Lisa  
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***From all the Staff at Casey Partners***