



Globe Accounting Pty Ltd



Christmas 2009

Welcome to the final edition of the Globe Accounting Newsletter for 2009. I can't believe that we are speeding towards Christmas again. We have had a very busy time with September BAS statements and a huge influx of business information for 08/09 tax returns. Thank you for your continued patience at this very busy time of the year. In this newsletter we are looking at Tax Office Benchmarking, small business concessions, HECS debt help for maths or science students and early education teachers, "hobby businesses" of the rich and ATO benchmarking.

BAS News

Please note that as our client base increases it is taking us longer to process the BAS information you deliver to us, simply because of the increased numbers. We process your BAS statements in the order that we receive them, so the earlier you get them in to us; the earlier you receive them back! We guarantee that any jobs received at our office no later than one week before the due date will be lodged on time. We can't guarantee lodgment of any returns received after that date. We appreciate your co-operation in this regard. Dale and her friendly and helpful team of BAS preparers work tirelessly to ensure your returns are lodged on time (all this and with a smile as well!)

Staff News

During August Shannon completed her CPA program. Well done Shannon! Shannon was awarded a high distinction for her final unit taking her tally for the six units to 5 High Distinctions and 1 Distinction. Mike Gilmore, Queensland President of CPA, who presented Shannon's award to her, made special mention of her great achievement in her studies.

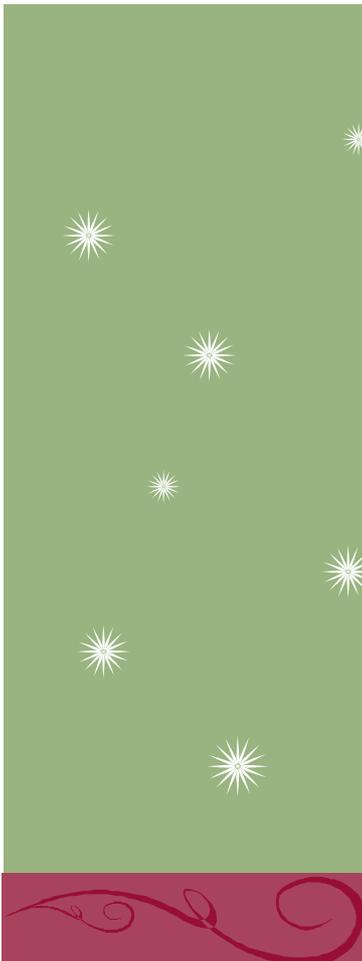
Many of you have also by now met or spoken with Val Timms, our receptionist. Val has settled in well and is becoming invaluable in the smooth running of the office. Annie Bradford is working with us part time and is responsible for all ASIC company returns among other things. You may get correspondence from Annie as she updates your company records. We will shortly employ another full time bookkeeper to assist in that busy area of the practice.

Client News

We are very pleased to welcome Tarlie B Designs to the "Our Clients" page of our website. Please take the time to go to the website and read some of Jim and Natalie's story and drool over the beautiful furniture and jewellery on display. Don't forget, if you would like your business to be featured on this page, please forward your details to Maryanne@globeaccounting.con.au and she will contact you for further details.



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ATO News

The ATO recently announced the following two new initiatives to help small businesses that are struggling to manage their tax payment obligations in the current economic climate:

- 12-month general interest charge (GIC) free payment arrangements
- Deferred activity statement payment due dates.

A small business is one where the turnover of the business is less than \$2 million GST exclusive.

Twelve month interest-free payment arrangement

The ATO is providing a 12-month general interest charge free concession for payment arrangements entered into for activity statement (that is, BAS) debts negotiated from 1 June 2009 until 30 June 2010 (up to a maximum of 12 months).

Businesses should call the ATO as early as possible on 13 11 42 if they would like to take advantage of this concession. An alternative for businesses with debts less than \$25,000 is to call the ATO's automated phone service on 13 72 26 which operates 24/7. According to the ATO, this automated phone service has been very successful, with over 60,000 arrangements approved in the 10 months to April this year.

Regardless of whether businesses contact the ATO via the automated service, or they speak with one of their staff, they will be eligible for a GIC free payment arrangement. Once the arrangement is approved businesses will receive a letter of confirmation together with payment slips.

It's very important that businesses contact the ATO immediately if they are unable to comply with the negotiated payment arrangement. Otherwise, the ATO can commence legal action without notice and also the interest free concession will no longer apply.

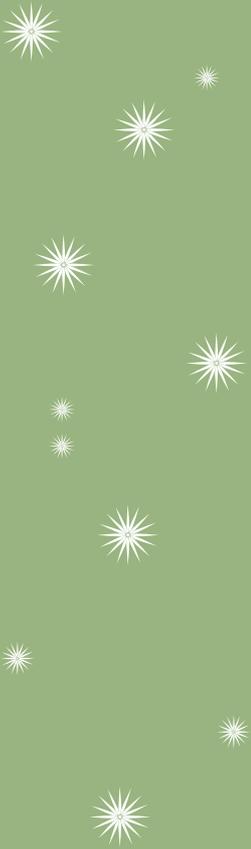
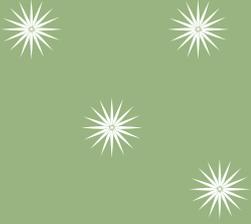
Deferred activity statement payment due dates

Small businesses experiencing cash flow problems can also request an interest free payment deferral on their next activity statement. Businesses that pay quarterly and annually may be granted a deferral of up to two months, with those that pay monthly eligible for up to one month.

To apply for this concession, businesses can contact the ATO on 13 11 42.

Activity statements still have to be lodged on time otherwise a late payment penalty may be imposed for late lodgments.





HECS-HELP Benefit

The HECS-HELP benefit aims to encourage particular graduates to take up employment in related occupations.

The HECS-HELP benefit aims to encourage graduates of mathematics or science undergraduate courses of study to take up employment in related occupations, and to encourage early childhood education teachers to work in specified locations including rural and regional areas, Indigenous communities and areas of socio-economic disadvantage.

Eligible mathematics and science graduates (who graduate from second semester 2008 onwards) and eligible early childhood education teachers who work in particular areas of need are able to apply for a HECS-HELP benefit which will reduce their Higher Education Loan Program (HELP) repayments and/or debt.

Please contact us if you think you may be eligible for this and we can confirm your eligibility, and amend your tax return if required.

Hobby Businesses of the rich

Until recently, taxpayers were able to offset losses incurred in the hobby business against their other tax liabilities if certain tests were passed.

The Government has moved to prevent individuals with an adjusted taxable income above \$250,000 from offsetting tax losses incurred in the hobby business (non-commercial losses), unless they can prove to the Tax Office that the business is a genuine commercial activity. The changes apply from 1st July 2009.

ATO Benchmarks

The ATO recently released a raft of new benchmarks for small businesses. The back page of the newsletter provides an overview of the new benchmarks and the businesses targeted.

The list of businesses is likely to grow as more work is done in this area.

Summary

Again, we urge you to spend time working on your business as well as working in your business, particularly in these tough economic times. We hope that your families are all well and happy, and that your businesses are meeting if not exceeding your expectations. Don't hesitate to contact us if we can be of assistance with any of your queries or concerns in relation to any aspect of your business.

We wish you all the best for a very safe and happy Christmas, and may 2010 be a year filled with good health and much happiness for you and your families.

Best Wishes

Pauline and Peter

The small business hit list: is the Tax Office targeting your business?

Last month, the Tax Office released a raft of new benchmarks for small business. Under the gentle guise of ‘helping small business with their tax compliance’, the benchmarks are, in reality, one of the key indicators used to identify who is likely to come under Tax Office scrutiny.

The industries benchmarked are high on the ‘likely offenders’ list for the cash economy and the Tax Office make it clear that “businesses reporting outside of these benchmarks are likely to attract attention.”

The small business benchmarks provide an indication of likely costs relative to turnover for different industries. Up to five ratios are used:

Cost of goods sold to turnover	$(\text{Cost of goods sold} \div \text{turnover}) \times 100 = \text{cost of goods ratio (\%)}$
Labour to turnover	$(\text{Labour costs} \div \text{turnover}) \times 100 = \text{labour/turnover ratio (\%)}$
Rent to turnover	$(\text{Rent} \div \text{turnover}) \times 100 = \text{rent/turnover ratio (\%)}$
GST-free sales to turnover	$(\text{GST-free sales} \div \text{turnover}) \times 100 = \text{GST free sales/turnover ratio (\%)}$
Motor vehicle expenses to turnover	$(\text{Motor vehicle expenses} \div \text{turnover}) \times 100 = \text{motor vehicle expense/turnover ratio (\%)}$

So, for a pub with sales between \$250,000 and \$750,000, the expected cost of goods sold to turnover ratio is 36%-50%. In this same example, the expected labour to sales ratio is 15% - 23%. If the pub falls outside of this benchmark, the Tax Office will take a closer look at their records and determine if an audit is required.

The danger is that if your business falls outside of the benchmark for legitimate reasons, you still need to ensure that you can justify the reasons for the variations. This will be a common problem where businesses do not neatly fit into an industry definition.

If you want to know more about reducing your tax risks, contact us today.

The Tax Office small business benchmark hit list

Accommodation and food services

- Chicken shops
- Coffee shops
- Fish and chips shops
- Kebab shops
- Pubs, taverns and bars
- Restaurants
- Sandwich shops
- Sushi takeaways
- Takeaway food services
- Takeaway pizza shops

Administrative and support services

- Building and other industrial cleaning services
- Pest control services

Construction

- Air conditioning, refrigeration and heating services
- Bricklaying
- Blocklaying
- Concreting services
- Electrical services
- Fence construction
- Painting services

- Plasterboard installers
- Plastering and ceiling services
- Plumbing services
- Roof guttering installation
- Roof painting and repair
- Roofing services - includes roof tiling and metal roofing services
- Tiling and carpeting services
- Tiling - floor and wall
- Timber floor installation
- Timber floor sanding

Manufacturing

- Bakeries and hot bread shops
- Cake shops and patisseries

Rental, hiring and real estate services

- Video and other electronic media rental and hiring

Retail trade

- Clothing retailing
- Computer retailing
- Floor covering retail
- Florists
- Footwear retail

- Fresh fish and seafood retailing
- Fresh poultry retailing
- Fruit and vegetable retailing
- Furniture retail
- Grocery retailers and general stores
- Houseware retailing
- Liquor retailing
- Meat retailing and butchers
- Newsagents
- Tyre retail

Transport, postal and warehousing

- Courier services
- Delivery services
- Furniture removalists
- Road freight transport services
- Taxi drivers and operators
- Towing services

Other services

- Barber and men’s hairdressing
- Beauty services
- Hairdressers
- Laundry and dry-cleaning services
- Nail salons

