JUNE 2012 NEWSLETTER

GLOBE ACCOUNTING PTY LTD

Hello and welcome to our final newsletter for the 2012 financial year. Welcome to our many new clients who have joined us over the last few months. We are delighted to have you on board and we look forward to working with you in the future.

Again, a very big thank you to our many wonderful existing clients. We are very pleased that you continue to give us the opportunity to work with you and we don't take that for granted.

This newsletter is jam packed full of interesting information and changes that will take effect from 1st July 2012, so there is not much room for us to say too much, other than:

- Congratulations to Kelly, Adam and Lillah on the safe arrival of beautiful little Jemmah Grace.
- We are very pleased to welcome David Cook (accountant), Miriam Verney (bookkeeper) and Cath Hughes (administration) to our team. David, Miriam and Cath all joined us around the start of the calendar year, so you may have already spoken to them.
- As BAS time approaches, please remember that we complete BAS returns in the order in which they come into the office, so please ensure that your BAS details get to our office in plenty of time to meet your lodgement obligations. We would suggest no later than one week before due date for lodgement to ensure completion and lodgement on time.
- We are sad to note that Shannon's 12 month absence is to become more permanent. We wish Shannon all the best for the future.
- As always, please feel free to contact this office if you have any queries in relation to any of the information contained in this newsletter, or if you have any other queries.

Our very best wishes for a healthy and prosperous new financial year and we look forward to catching up with you soon.

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How do you know if your business is in strife?

Insolvency specialists will tell you that business failures don't show for months if not years after an economic downturn as business owners struggle to hang on. A business can go broke for many reasons but one consistent factor is the owner's fail to recognise the warning signs and take appropriate action. Here are a few of the key indicators:

- **Budget for the year looked great but actual performance is ugly** – You need an operating and cashflow budget, as one does not necessarily mirror the other. Your budgets need to be rigorous and realistic. Measure performance against budget every quarter (or monthly where things are volatile). Where deterioration occurs, act on it.
- **Increases in fixed costs without an increase in revenues** – Fixed costs have a direct impact on your profitability. If you increase your fixed costs these need to be linked to revenue and profit expectations.
- **Falling gross profit margin** – Your gross profit margin is the difference between your sales minus cost of goods sold. Every dollar you lose in gross profit is a dollar off your bottom line. Watch discounting strategies as they can have a major impact on your gross profit levels.
- **Funding your business with debt rather than equity finance** – if your business is funded on debt it's easy to strip the profits out of your business. Watch your funding mix and review debt regularly.
- **Falling sales** – If sales are falling rather than launch into knee jerk campaigns have a look at what the actual problem is – competition, product mix, market changes etc? Then put in place strategies to manage these problems.
- **Delaying payment to creditors** – if sales are ok there could be a number of reasons why cash is tight. Debtor cycles are often a problem that needs to be addressed.

- **Issuing cheques in excess of your banking facilities** – in other words, trying to pay todays bills with tomorrow's cash. High growth businesses often come under pressure but the solution is negotiating with suppliers and the bank rather than hoping for the best.
- **Poor financial reporting** – if you don't recognise a problem is occurring you can't address it.
- **Growing to death** – Growth, like anything else in the business needs to be planned. If it's not planned it's unlikely you can sustain it.
- **Substantial bad debts or dead stock** – customers that won't pay their bills and stock that you can't sell. Credit policies need to be enforced – remember the sale is not complete until the money is in the bank. Managing dead stock is about planning. Make sure you have a tight stock policy in place that is measured and monitored.

If you need assistance with planning, establishing reporting processes, identifying KPIs or just a second pair of eyes, call us today.

What is the PPS register?

You might have heard the advertising about the *Personal Property Securities Act* (PPS Act) and the national register that opened on 30 January 2012. But with a title like that it's easy to think that the Act and the register are not something that the majority of us need to worry about.

But, if you intend to: borrow money against an asset; provide goods on consignment or on credit; supply goods under a lease arrangement (or enter into a leasing arrangement); buy a business; or, buy personal property (excluding land), the PPS Act and register will impact on you

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The PPS Act introduced a new way of recognising and enforcing security interests in Australia. A security interest is created when you buy personal property on hire purchase or use personal property as security for a loan or other type of credit transaction.

Not only does the PPS register replace the State based security registration systems but it expands the type of personal property that can be registered as a security interest. For example, if you are buying personal property like a second hand car, you can check the PPS register before purchasing it to see if there are any security interests attached to it. In business, the register will be a way of protecting your interests in a broad range of situations. Boats, machinery, crops, shares, art, intellectual property and contract rights can all be offered as security for a loan and where this occurs, will need to be registered.

While registration is voluntary, it is important to understand that if a security interest is not registered and your customer goes bankrupt or insolvent, you can no longer rely on retaining title to reclaim the goods. If it's not on the PPS register, you may not get your property back in these circumstances. So, you need to weigh up the risks and register any relevant property *before* supplying it.

Living away from home?

Living Away From Home Allowances (LAFHA) are paid to employees to compensate for additional expenses and disadvantages they might suffer because they need to live away from home to do their job.

However, the Government is concerned by the rapid expansion in the number of claims made with a 457% increase in the value of LAFHA claims in six years (from $162 million in 2004/2005 to $740 million in 2010/2011). Anticipated to take effect from 1 July:

- Temporary residents will only be able to access LAFHA concessions where they maintain an Australian residence for their own use and are required to live away from this residence as part of their employment duties. This rule mainly targets expatriate employees who do not have a residence in Australia.
- LAFHAs will be included in the taxable income of the employee rather than being taxed in the hands of the employer through the FBT system. The employee will be able to claim deductions for actual accommodation and food expenses incurred while living away from home, but these expenses must be substantiated under the normal operation of the rules. This means that employees will now need to hold invoices or receipts for rent, grocery and other outgoings in order to reduce their taxable allowance.
- Reimbursements and payments of actual food and accommodation expenses by employers will still be exempt from FBT subject to new substantiation requirements.

Reporting of contractor payments in the building and construction industry

From 1 July 2012 businesses in the building and construction industry need to report the total payments they make to each contractor for building and construction services each year. These payments need to be reported on the Taxable Payments Annual Report.

To make it easier to complete the annual report, your business may need to change the way you currently record your contractor information.

The aim of this new reporting system is to improve compliance by certain contractors of their tax obligations. The information reported about payments made to contractors will be used for data matching to detect contractors who have not:

> lodged tax returns

> included all their income in returns that have been lodged

Who needs to report

From 1 July 2012 you need to report if all of the following apply:

> you are a business that is primarily in the building and construction industry (50% of Income plus)

> you make payments to contractors for building and construction services and

> you have an Australian business number (ABN).

What needs to be reported

Businesses would be required to report actual payments made and include the following details:

> the contractor’s name

> the contractor’s ABN

> the contractor’s address (if known)

> the total amount paid or credited to the contractor over the income year

> whether any GST has been charged and

> any other information the Commissioner may require.

Tax changes to compensate for the carbon tax

> From 1 July 2012, the threshold for claiming an immediate deduction for depreciable assets (including cars) increases to less than $6,500 GST exclusive for small businesses and the depreciation rate for assets costing $6,500 or more GST exclusive included in the asset pool will be 30% (15% for the first year) even for assets with an effective life of 25 years or more. It may in some cases be better to acquire an asset in July 2012 rather than June 2012 to take advantage of this accelerated up-front deduction.

> From 1 July 2012 and for cars only, where the cost is $6,500 or more GST exclusive, an immediate deduction can be claimed by small businesses for both the first $5,000 plus 15% of the cost less $5,000. The balance of the purchase price is depreciated as part of the asset pool at a rate of 30% in the second and subsequent years.

> The income tax rates scale has been amended from 1 July 2012 to increase the tax-free income to $18,200.

A range of clean energy advance and other on-going supplement payments are to be made. These vary according to income and between families, pensioners, self-funded retirees and students.

Super Contributions Limit changes

The deductible contribution limit for 2012-13 will be $25,000 for all employees. Contributions over this limit will be subject to further tax. If you have a Salary Sacrifice arrangement in place, review these arrangements to make sure your sacrifice amounts plus employer SGC remain under the $25,000 limit.
These lower limits reduce your ability to increase your retirement savings at the end of your working life.
It is becoming more important to save for your retirement over a longer time frame,