globe ACCOUNTING

MERRY CHRISTMAS

Welcome to our final Newsletter for 2012, again the year has flown by. We have had a busy and productive last six months. Since our last Newsletter we have welcomed Laura Babington to our team. Laura is a qualified accountant, working with us for two days per week. Our team at Globe is now at 17 – if you haven't met us all, go to our website to put faces to names!

To all our new clients – WELCOME! We feel privileged that you have chosen Globe Accounting and look forward to working with you. We must not forget our loyal and continuing clients, we value your business and we know we would not be here without you, thankyou! We truly do enjoy working with you all and please feel free to contact us if you have any queries or concerns.

We will be closing our office from 3pm Friday 21st December 2012 and re-opening Monday 7th January 2013

From all of us at Globe we take this opportunity to wish you and your family all the best for the festive season. Have a Happy Christmas, and a safe and prosperous New Year.

We look forward to continuing our successful business relationship with you in 2013.

From Pauline, Peter and the Team

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5 things that will make or break your business's Christmas

The countdown to Christmas is now on and we're in the midst of the headlong rush to get everything done and capitalise on any remaining opportunities before the Christmas lull. Busy period or not Christmas causes a period of dislocation and volatility for most businesses. This dislocation and volatility means that it is not business as usual and for many businesses, it is the change that causes the problem.

Most business owners cope well with consistent trading conditions. Trading and business conditions are predictable and the solutions you have used in the past should work. Change the environment though and normal does not necessarily work.

Here are some things to watch out for:

1. Ho, Ho, No. The trading stock headache.

If business activity spikes over the Christmas period and you sell goods then there is a temptation to increase stock levels. That makes sense as long as you don't go too far. Too much stock post the Christmas period and you will either be carrying product that is out of season or you will have too much cash tied up in trading stock. Try to work with suppliers who can supply on short notice. Better still, see if some of your suppliers will supply you on consignment where you only pay them once the stock is sold. It might be better to miss a few sales than carry a trading stock headache into the New Year.

Managing your trading stock is not just about managing cost. A recent study by the Australian Centre for Retail Studies at Monash University found that 61% of the people who went to a traditional retail store but then bought online did so because the retailer didn't stock what they needed.

2. The discounting bandwagon.

Avoid discounting in peak season. The sale signs are already up and this will continue in the run up to Christmas. The danger is the 'me too' strategy: If everyone else is discounting then it sounds like a good idea. Know your profit margins and how much you can afford to discount. Discount your margin away over the peak trading season and you will not have any profit buffer to carry you into the New Year. A business with a 30% gross profit margin that offers a 25% discount (certainly nothing unusual about that in today's market) needs a 500% increase in sales volume just to maintain the same position – and in almost all cases that's just not going to happen. The result generally is that the business is trading below its break even point and generating losses. So, think carefully about your strategy and what you can sustain.

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The Christmas cost hangover.

Costs tend to go up over this time of the year. More staff, leave costs, downtime from non-trading days as well as increased promotion costs all mean that costs will push upwards. Keep an eye on them. It’s great to get into the Christmas spirit as long as you don’t end up with a New Year hangover

4. New Year cash flow crunch.

The New Year will lead you into a quieter trading period and a tighter cash flow period. The March quarter tends to be the toughest cash flow quarter of the year. You will need some cash buffer going into the New Year. Don’t over commit yourself in the run up to year end and end up in trouble in the New Year.

5. Take a lesson from Scrooge

If you work with account customers, start your debtor follow up now. If your customers are under any cash flow pressures, the Christmas period will only increase that pressure. The creditors who chase hard and early will get paid first. Don’t be the last supplier on the list – the basket may be empty by then.

Christmas is a great time of year. Just don’t get caught up in the rush and let things get out of control.

Directors personally liable for employee’s super

Directors are now personally liable for unpaid superannuation guarantee (SG) payments to staff. While initially designed to prevent phoenix company activity, the new laws that apply from 1 July 2012, extend well beyond phoenix company activity.

How does it work?

The new law extends the director penalty and estimates regime beyond PAYG withholding to the super guarantee (SG) charge. That means that if a company fails to remit SG to the employee’s funds on time, the Directors can be personally liable for the payment.

A director penalty is triggered when a company’s liability for PAYG withholding or SG remains unpaid and unreported 3 months after the due date. The Tax Commissioner will then issue a Director penalty notice to either the Director or their tax agent. The director penalty applies even if the company is placed into administration.

Be careful if you use contractors

If your company uses contractors, ensuring that your contractors meet the definition of an ‘independent contractor’ is more important than ever. Remember that where a contract is principally for labour, that person might be treated as an employee and in those circumstances, superannuation guarantee will be payable regardless of what your agreements call the relationship. The director penalty regime will extend to SG payments for employees misclassified as contractors. The only out is if it was reasonably arguable that the company took reasonable care in applying the law – however, naivety is not an excuse under the law.

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Keeping the taxman out of your Christmas hamper

Christmas is expensive enough. Here are some of the key ways tax impacts on your Christmas spirit.

For you

Who can claim the deduction for charitable gifts?

Giving a goat, funding a village well, buying a toilet, or farming equipment for people in third world countries is a common gift, particularly for those that just don't need anything. But who gets the tax benefit? Assuming the charity is a deductible gift recipient (DGR), the answer is, whoever's name is on the receipt.

If you buy any form of merchandise for the 'donation' – biscuits, teddies, balls or you buy something at an auction – then it's generally not deductible. Your donation needs to be a gift, not an exchange for something material. At Christmas, most charities work on the basis that you are donating an amount equivalent to say a goat rather than actually giving a goat, so the donation will be deductible.

Your business

Giving to your team

Christmas celebrations at your work on a working day are likely to be exempt from FBT.

Keep the cost of your celebrations per person below $300 to make sure the event is a minor benefit for FBT purposes and exempt from FBT (including meals, beverages, entertainment, etc.,).

Keep any Christmas presents below $300 per person and ensure they are 'one-off' gifts. They need to be ad hoc to be exempt from FBT.

You can't deduct the cost of your Christmas celebrations for team members unless FBT applies.

Clients and Christmas

Entertaining your clients at Christmas is not tax deductible (sorry).

Give a gift instead – gifts are deductible as long as the gift is given by the business with the expectation that the business will benefit (i.e., the gift is given with the expectation of generating revenue).

Have a good break!

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