

Client Information Bulletin



Winter 2011

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Budget summary

The Government announced a number of measures in the 2011-2012 budget that will impact SMEs and their employees. An outline of these is provided below. It is, however, important to note they have not yet been passed into law and are subject to change.

Minimum pensions

During the global financial crisis the government reduced the minimum pension required to be drawn down for account-based, allocated and market linked pensions. This relief will be reduced by 25 per cent for 2011-12 and phased out in 2012-13.

Low income tax offset for minors

From 1 July 2011 minors receiving non-work income, such as dividends, interest or family trust distributions, will not be entitled to the low income tax offset. This will reduce their tax free threshold to \$416.

Accelerated depreciation for small business enterprises

Any motor vehicle purchased from 2012-13 will be eligible for an instant tax write-off for the first \$5,000 of its purchase price. The remainder of the purchase value is then depreciated.

Depreciating assets acquired from 2013, valued under \$5,000 will be able to be written off immediately.

Log books may help reduce FBT

The 2011 Federal budget also announced changes to the calculation of FBT on motor vehicles. The FBT payable will increase if an employer provided car travels over 25,000 kilometres in the FBT year. The table included here provides a concise breakdown of the

current and proposed FBT rates based on kilometres travelled.

Kilometres travelled	Current FBT rate	Budget proposed FBT rate
Less than 15,000	26%	20%
15,000 – 24,999	20%	20%
25,000 – 40,000	11%	20%
Over 40,000	7%	20%

The Government has said these changes will be phased in gradually however there is a second way to calculate the FBT on a vehicle – the operating cost method.

This method involves the employer being able to identify:

- Repairs and maintenance
- Fuel
- Registration and Insurance
- Depreciation - if owned by the employer

Private use is determined by a log book.

A log book must be maintained for a continuous period of 12 weeks and contain the following information:

- The date the journey began and ended (multiple journeys are treated as a single entry)
- Car odometer readings taken at the start and end of the journey
- The number of kilometres travelled by the car
- The purpose of the travel

If you complete a log book within 12 weeks of the FBT's year end it can be used for the preceding year. A new log book must be completed every five years.



Chartered Accountants

Super dates – ATO focus

The ATO have sent letters to a number of businesses reminding them of their requirement to pay their staff superannuation on time. These letters are part of an education campaign launched by the ATO and will be followed up with a compliance program. Below is a table of the payment cut-off dates for super guarantee payments.

Quarter	Period	Payment cut-off date
1	1 July - 30 Sept	28 Oct
2	1 Oct - 31 Dec	28 Jan
3	1 Jan - 31 March	28 April
4	1 April - 30 June	28 July

If a super contribution is paid after the cut-off date a super guarantee charge statement must be lodged with the ATO and interest paid on overdue amounts at 10 per cent, per annum, plus an administration fee of \$20 per employee per quarter.

Reportable Employer Superannuation Contributions - PAYG Payment Summaries

Last financial year a lot of businesses incorrectly completed the reportable employer superannuation contributions section of the PAYG payment summary by including superannuation guarantee contributions (SGC).

Reportable superannuation contributions are superannuation contributions where your employee influenced the rate or amount of super you contribute for them. They are additional to the amounts you must pay under SGC or an industrial agreement. Whether an employee has the capacity to influence the amount of contributions made is shown by considering:

- Your relationship with the employee
- The employee's involvement in negotiations regarding super contributions
- The size of the amount contributed compared to the SGC required
- Arrangements you have in place for other employees
- Non-arm's length dealings.

Example 1:

XYZ Pty Ltd has a sole director John. John's wife and children are the only employees of the company. An industrial agreement was negotiated internally that requires XYZ Pty Ltd to pay 15 per cent of each employee's salary into super.

In this example the six per cent superannuation paid (above the nine per cent SGC) is a reportable employer superannuation contribution as the agreement was not negotiated at arm's length.

Example 2:

John asks his employer to salary sacrifice \$15,000 per annum into superannuation, therefore the \$15,000 is a reportable employer superannuation contribution.

If you are unsure about your reportable employer superannuation contributions contact our office to discuss this issue in more detail.

New system offers business greater security

Consolidation of the various state and federal property security registers into a single registry of security interests will be welcomed by any business that retains an interest in an asset after it has become the property of a customer; one such example is before a final invoice is paid.

The single registry of security interests, effective from October 2011, will not just provide a much-needed simplification of the system, but will also expand the assets that can be included on the register. This will provide a greater level of security for businesses.

Under the new system, arrangements such as hire purchase agreements and leases, and retention of title claims, will now be included on the register.

Security interests are defined as 'an interest in property provided for by a transaction that secures payment or performance of an obligation'.

According to the *Personal Property Securities Act 2009* (Cwlth) reform, this may include intellectual property (such as patents), intangible property (such as contractual rights or licences) and financial property (such as investment instruments, bonds, etc).

Both 'consumer' property, such as items used for personal purposes such as a car under lease and 'commercial' property, such as trading stock, plant and equipment, are covered.

Another change under the new system is that 'fixed' and 'floating' charges will no longer exist. They will instead be known as:

- security interests which attach to a circulating asset (floating charge)

- security interests which attach to a non-circulating asset (fixed charge).

The changes will ultimately provide a much simpler system for registering securities.

Businesses that deal with customers throughout Australia will no longer need to record each customer on the relevant state-based registry. It will also make it much easier for liquidators to assess the rights of suppliers and debtors to companies they are administering, and speed up the process of returning money to those businesses.

In the short term, however, the changes will create some paperwork for businesses. They will need to redraft their terms of trade to take into account the single register.

It is important for businesses to familiarise themselves with the changes and the new terminology, and ensure they follow procedures correctly to retain title over their property.

For more information on these changes, contact our office.

Debtors

In lean economic times, cash flow is king. There are small but important steps which can be put in place to improve cash flow starting from when the invoice is produced.

When it comes to your invoice, it is worth considering:

- Does your invoice properly detail your credit terms?
- Do you require payment within a certain timeframe such as 7 or 14 days?
- Does your invoice include the following note so you can start to chase an outstanding payment immediately if it falls due:

TERMS

Please note that our terms are 14 days from this invoice.

By providing your customers details for both the means of payment and your payment address you are more likely to receive payment in a timely fashion.

Include your BSB, bank name and bank account details and, if appropriate, your BPAY information. Additionally, if securing timely payments have been difficult in the past, you may consider offering a discounted rate should payment be received within your designated payment period.

It is always best practice with debt recovery to adopt a proactive approach. While letters may be effective to show a paper trail of the work undertaken on your part for debt recovery purposes, it is more expedient if you pick up the phone and speak to the person concerned.

Do not pester clients, but ensure you are vigilant. Keep records of conversation or attempts to contact the debtor by letter, email or telephone.

If all else fails, consider engaging the services of a debt recovery agency. If further work is required by the debtor, either negotiate an upfront payment or secure instalment payments during the course of your services.

For information on how to improve your cash flow, talk to our Principal, Michael Burhala, to discuss these and more strategies.

Getting your business online

When you last needed to find a business provider, what means did you use to search for and locate a service? Increasingly, online search engines such as Google are being used. This begs the question, does your

business have a presence on the Internet?

According to the *Getting Aussie Business Online* website (www.gettingbusinessonline.com.au) the Internet is now the first place Australians go to find information about businesses.

Getting Aussie Business Online set up by Google and MYOB aims to help 50,000 Australian businesses get online with their first website.

The website provides businesses the opportunity to set up an easy to update website for one year and a free .com.au domain for two years.

Having a web presence for no upfront cost allows you to, over time, assess the relevance and benefit of a website to your business. Business owners can analyse whether business growth has occurred as a result of the new web presence. If it has, you may wish to invest in further enhancing your website design and improving the services you provide clients through your online presence.

Lessons from Lego

Lego was founded in 1932. By 2004 sales had dropped by 35 per cent worldwide and the company was in severe debt. The company had lost focus. Instead of focusing on building its famous toy bricks, it had branched out into expensive Legoland theme parks and licensing deals with film makers, which were distracting management.

The company no longer knew its purpose.

Lego appointed a new Chief Executive who identified a turnaround strategy.

The following lessons for management came from the Lego experience:

- Don't get distracted by diversifying too far from the core products.
- Family run company's need to bring in outside experts when in trouble
- Don't be afraid to make mistakes
- Reverse bad decisions
- Undertake a listening tour and speak to your retailers, fans and staff to find new ideas and solutions to existing problems.

Are your employees satisfied in their jobs?

Employees respond to job dissatisfaction in four distinct ways:

1. Exit

Employees may express their dissatisfaction through behaviour directed towards leaving the organisation.

2. Voice

Employees may actively attempt to provide constructive criticism to their superiors in order to improve their working conditions.

3. Loyalty

Employees may passively and optimistically wait for conditions to improve. They may simply trust the organisation and its management to 'do the right thing'.

4. Neglect

Employees may passively allow conditions to worsen through chronic absenteeism, lateness, reduced effort and increased error rate.

Employees can become dissatisfied in their jobs for any number of reasons. Once management is aware of the situation, it is worth trying to reverse the dissatisfaction by encouraging performance and

motivating employees with recognition, praise and increased promotional opportunities.

Time saving strategies – stop multitasking

Trying to juggle too many things at once? Never seem to get any task finished? Multitasking might be the problem.

Try timing yourself as you write the numbers 1-26 and letters a-z down, but write one number then one letter - 1 a 2 b 3 c... Once that is done, time yourself writing the numbers 1–26 and letters a-z. How much faster were you when you focused on one task at a time?

When running a business it is hard to avoid interruptions but try these easy ideas:

- Turn off your email message notification and instead check your emails once an hour.
- Set aside time each day to return calls. That could be 30 minutes before lunch and another 30 minutes in the afternoon.
- Take breaks – get out of the office at least twice a day – go for a walk to clear your head. It may take five minutes. The break will de-stress you and make you more focused.
- Eat lunch away from your desk. Use your lunch break as an opportunity to interact with staff in the lunchroom.
- Close your office door and ask for no interruptions if you are working on a difficult task
- Try to handle each piece of paper only once.

Taking these suggestions will save you time and help bring order to your day.

Age discrimination

There is an old adage that states 'you can't teach an old dog new tricks' yet there is a great deal of anecdotal evidence to suggest this assertion is incorrect.

Studies consistently demonstrate that older employees are **perceived** as being relatively inflexible, resistant to change and less trainable than their younger counterparts – particularly with respect to information technology. These perceptions are wrong.

Older workers, typically aged 50 and over, want to learn and are just as capable of learning as any other employee group. Once trained, older workers are able to perform at comparable levels to younger workers.

Evidence indicates there are differences between people based on individual factors such as ability, motivation, and personality. These traits do influence learning and training outcomes. Age however, hasn't been found to influence these outcomes.

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