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Client Newsletter

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Paid Parental Leave

Australia's first national Paid Parental Leave scheme began on 1 January 2011. It provides eligible working parents with up to a maximum of 18 weeks of Parental Leave Pay at the National Minimum Wage (currently \$570 a week before tax) and is fully funded by the Government.

Eligibility requirements for employees include:

- being the primary care giver
- meeting the work and income test
- are on leave or not working



From 1 July 2011 the employer must provide Parental Leave Pay if an employee has worked with them for 12 months or more prior to the expected date of birth or adoption of the child. The funds will be transferred from the Australian Government and must be on-paid to the employee.

Employers are not required to make superannuation payments or accrue leave entitlements during the period of paid parental leave. Paid parental leave payments are not liable to payroll tax as they are not paid by the employer but rather they are payments made on behalf of the Commonwealth Government.

Employers will need to provide some basic information to the Family Assistance Office before any payments begin, such as bank account details and pay cycle information. Employers will also need to withhold tax from the parental leave pay under usual PAYG requirements and will need to include parental leave pay in the annual PAYG payment summaries.

Visit <http://www.familyassist.gov.au> for more information.

Beware: ATO – data matching

Each year the ATO are implementing more methods to match external data to their records. The intent is to ensure conformance with income tax, superannuation, goods and services tax and fringe benefits tax. For a number of years current matching to external sources has included bank interest and dividends but beware as newer matching practices include:

- **Property transactions:** Data received from state and territory authorities for details of every property title transfer between 1 July 1999 and 30 June 2010. The information will help to identify people who may have incorrectly reported or not included capital gains, income or GST.
- **Credit and debit cards:** Data from banks that identifies credit and debit card sales made by Australian businesses. This data is matched against taxpayer records to identify those participating in the cash economy and not reporting all of their income.
- **Motor Vehicle:** Data is obtained from state and territory motor vehicle registering bodies. This data identifies taxpayers whose expenditure is in excess of their reported income, or businesses that sell vehicles and do not report, or under report those sales.
- **Online Sales:** Data is obtained from eBay Australia and Trading Post Australia to assess the level of taxation compliance of individuals and businesses that sell goods or services online, and identifies members with sales greater than \$20,000 in any of the past three financial years - 2007-08, 2008-09 and 2009-10.

Are you in a De facto relationship?

If you are in a de facto relationship and your relationship breaks down, changes to the Family Law Act provide that the manner in which your property is divided between you and your partner may well be determined in the same manner as if you had been married to your de facto spouse.

You may be in a de facto relationship if you and your partner are of the same sex or if you are in a relationship with someone who is also in a relationship with another person, for example married to or in a de facto relationship with another person.

All the circumstances of the relationship will determine whether a couple have a de facto relationship including;

- the duration of their relationship
- the nature and extent of their common residence
- whether a sexual relationship exists
- the degree of financial dependence or interdependence, and any arrangements between them for financial support
- the ownership, use and acquisition of their property
- their degree of mutual commitment to a shared life
- whether the relationship has been registered, in a State or Territory with laws for the registration of relationships
- the care and support of children, and
- the reputation and public aspects of their relationship

The above considerations only provide the court with a guideline. The court has the discretion when determining whether a de facto relationship exists to give as much or as little weight to any of the above factors as it chooses.

Trust distributions to a Corporate Beneficiary!

For many years you have been able to distribute income from your discretionary trust to a company. Often no cash was paid to the company when the income was distributed, giving rise to an Unpaid Present Entitlement (UPE). The funds representing the UPE typically remain intermingled with funds of the trust, or lent to other beneficiaries of the trust.

The ATO has now decided that the resulting UPE owed to the company should be treated as a loan (under Division 7A) and will need to be repaid, with interest.

The ATO issued its opinion in the form of TR 2010/3, outlining the new treatment of UPE's and the way they expect this to be administered and corrective action required. If you have a trust that has a UPE we invite you to contact us to discuss how best to deal with the ATO's clear change in attitude.

The ATO are expected to have the Courts decide by way of a test case in the near future to adjudicate on the strength of their opinion.

Non-commercial loans- tightening

The expanded application of the Income Tax Assessment Act 1936 - Division 7A (Cwlth) announced in the 2009/2010 Federal Budget has been made law. Central to the changes is the ability for the ATO to tax the use of private company assets by shareholders or their associates.

Most would be aware of the implications of loans made by a private company to its shareholders and/or their associates. The use of other assets held by private companies such as property, vehicles and boats, either for free or for a non arm's length value by the shareholders and/or

their associates has remained largely unchecked.

Changes to Division 7A allow for a deemed 'payment' to be included in the shareholder's income and taxed accordingly. It would represent the amount they would have had to pay to use the asset, to an arm's length third party

Where a shareholder and/or associate has exclusive use of such an asset, the deemed payment amount would be equivalent to what would be required to be paid to secure that exclusive use. For example, consider a holiday home held by a private company for the exclusive use of a shareholder and their family. The home may only be used for three months of the year but as it is not available for any other party to use, the deemed payment amount would be equivalent to commercial rent for the entire year.

New super clearing house

The Australian Government is offering a free superannuation clearing house service to small businesses with less than 20 employees. You make a single payment to the clearing house and they will distribute the money to your employee's superfunds, saving you time and money. To access the service you can register online at: www.medicareaustralia.gov.au/super

Self managed super fund audits

As members of Australia's professional accounting bodies we are subject to minimum competency requirements when undertaking audits of SMSF's. Some of the key competency requirements include undertaking SMSF audit courses, holding a certificate of public practice, holding appropriate professional indemnity insurance, undertaking minimum ongoing training and education on superannuation and audit, and adhering to auditing standards and professional and ethical standards.

Business benchmarks

The ATO has developed small business benchmarks to enable businesses to compare their performance against similar businesses. It also provides the ATO with information to help them identify businesses reporting outside the benchmarks.

The benchmarks provide key business ratios for more than 100 industries reporting with high, medium and low turnover ranges.

The ATO have developed benchmarks in the following areas:

- Performance benchmarks
- Cash sales benchmarks
- Input benchmarks

Performance benchmarks

Performance benchmarks provide key business ratios for your industry to help you compare your own business performance including:

- Cost of goods sold to turnover
- Cost of materials to turnover
- Labour to turnover
- Rent to turnover
- Motor vehicle expenses to turnover

Cash sales benchmarks

Cash sales benchmarks show the ratio of cash sales to total sales.

The ATO calculated these benchmarks by using card sales from bank data and deducting these figures from the total sales reported in activity statements.

These benchmarks show an expected range for your industry and your average sales value.

Input benchmarks

Input benchmarks show an expected range of income for tradespeople based on the labour and materials they use. These benchmarks apply mainly to tradespeople who undertake domestic projects and are responsible for purchasing their own materials.

The ATO use these benchmarks to identify businesses that may be avoiding their tax obligations. If your business is outside the benchmarks for your industry it will attract the ATO's attention.

The benchmarks can be found on the ATO website at www.ato.gov.au Tax Topics – Business Benchmarks.

Risk management for unthinkable events

Recent events worldwide have again highlighted the importance of risk management; how your business would survive the 'unthinkable'.

BP and the Gulf of Mexico oil spill brought attention to a lack of foresight and planning for the unthinkable.

This disaster will cost BP billions of dollars and has put the business as a whole in a perilous position. BP has already had to sell major assets to cover the cost of the clean up.

The Iceland volcano was another unthinkable event to occur without any warning. The volcano left thousands of people stranded and the repercussions were felt globally. Qantas alone lost \$10m during just five days of disruption.

These events prove that management, even in small business must undertake disaster planning and recovery as a serious matter.

Factors beyond your control can impact your business and will affect productivity, output and profits.

Management has a responsibility and duty to undertake planning so that when the 'unthinkable' happens contingency plans and procedures are in place to allow the organisation to continue to operate, or at least minimise the disruption.

Issues on IT

Throughout the last decade there have been a host of newer, faster and friendlier information technology (IT) options. They have been developed to assist organisations to remain competitively positioned.

The twenty most important technology issues likely to play an important role shaping business IT over the next decade are listed below. They are broken into five core topic areas and help businesses answer questions such as:

- Are we getting value from our IT?
- What opportunities do new technologies provide in our business and are we taking advantage of them?
- Are we recognising and managing the associated risks?
- How should we decide where to invest our IT dollars?

Always consider IT as part of your business strategy. The top 20 technology issues for business are;

Strategic alignment

1. Business-IT alignment
2. IT governance
3. IT investment and IT value

Information management

4. Management reporting and analytics

IT effectiveness

5. Customer responsiveness
6. Collaboration technologies
7. Social media
8. Wireless and mobile computing
9. Data security, confidentiality and privacy
10. Business reporting (XBRL)

Agility and innovation

11. IT agility
12. Cloud computing
13. Software as a Service
14. Business rules management
15. Service oriented architecture

Operational efficiency

16. Green IT
17. IT sourcing
18. Virtualisation
19. Systems security
20. Disaster recovery



OH&S obligations for employers

As an employer you must provide a safe and healthy workplace for your workers and contractors including;

- Providing safe premises
- Maintaining machinery and materials
- Having safe systems at work (such as controlling entry to high risk areas)
- Providing information, instruction, training and supervision of employees to ensure they work in a safe and healthy manner
- Having a suitable working environment (ensuring fire exits are not blocked, worksite is tidy etc)
- Providing adequate facilities (clean toilets, clean drinking water and hygienic eating areas)

If you do not comply with these legal requirements you can be prosecuted and fined.

To find out your specific obligations go to the occupational health and safety area at www.business.gov.au

ASIC fee changes

	Previous fee	Fee from 1 July 2010
Annual review fee for a proprietary company	\$212	\$218
Change of company name	\$330	\$340
Notification of a charge	\$135	\$139
Notification of discharge or release of property from a charge	\$65	\$67
Application for voluntary deregistration of a company	\$33	\$34

The fees will be indexed each financial year from 1 July 2010 based on any increase in the Consumer Price Index (CPI) for the March quarter immediately before the start of the next financial year.

Reminders

Fringe Benefits

Be on the lookout for fringe benefit proforma's posted out towards the end of March. Please do not hold onto these. If you have any queries, contact Ashley Williams at our office.

Appointments after 5 pm

For all appointments after 5 pm please park at the back of the premises and use the back door in the car park.



Peninsula Financial Group

Your way of life is all about enjoying the things that matter to you most – family, friends, fun and freedom. Insurance can help safeguard everyday life, but for most people the amount they have may not be enough to protect what they treasure in the event of an accident, sickness or death.

Term Life Insurance

Term life insurance pays a lump sum on your death or diagnosis of a terminal illness. Life insurance can pay off the mortgage and other debts, and act as a safeguard for your family's financial wellbeing. Life insurance is available from age 10 to 69 and it covers you to age 99. You don't need to be in the paid workforce to apply for Term Life Insurance.

Trauma Insurance

Trauma insurance pays a lump sum on the diagnosis or occurrence of one of a list of specified injuries and illnesses such as heart attack, cancer or stroke.

Income Replacement Insurance

Put simply, if you are unable to work because of an illness or injury, it provides you with a monthly payment to replace lost income. To be eligible you must be engaged in full-time employment. The premiums paid for this type of insurance are 100% tax deductible.

Call Lyle Weir, our qualified financial advisor at PFG, who can assist you in understanding your protection needs.

DISCLAIMER

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