



TAXWISE® BUSINESS NEWS

June 2010

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NEW FORMAT

Welcome to the June 2010 newsletter. You will notice that it looks quite different to the previous newsletter. Tenbenschel & Dee have decided to purchase our newsletter from a different provider. This newsletter provider writes four newsletters per year for businesses and allows us greater flexibility in adding

our own content and deleting topics that are less applicable to you.

STAFF NEWS AT TENBENSHEL & DEE

The Firm has had Izaak and Elaine join our Tax and Business Services Group during the second half of 2009.

Izaak has nearly 3 years experience in public practice and has gained a broad range of experience. Izaak is studying part-time at the University of Tasmania towards his Bachelor of Business Degree.

Elaine has over 20 years experience in the preparation of income tax returns for individuals and small business. Elaine is enjoying broadening her knowledge and working on a diverse range of clients here at Tenbenschel & Dee.

Rachael and Tricia are now both working full time with Tenbenschel & Dee; Rachael in the role of Partner Support Officer and Tricia as our Admin Support Officer.

We said farewell to Krystal in September 2009 who took up a position within the travel industry.

Jenny will be leaving us this September as she heads off on maternity leave until mid 2011. We wish her all the best with the new challenges ahead!





YEAR END ISSUES TO CONSIDER

Tax planning

Depending on your circumstances, there are legitimate ways to reduce your taxable income, and therefore the amount of tax payable, these include:

- delaying the invoicing of income until the next financial year;
- bringing forward the payment of tax deductible expenses where early payment is allowed;
- considering whether any inventory should be written off due to loss or obsolescence;
- considering whether any plant or equipment should be written off;
- considering whether any of your accounts receivable should be written off as bad debts. Note that the debt must be bad not merely doubtful and must have been previously included in assessable income;
- considering whether any additional tax deductible superannuation contributions can and should be made prior to 30 June 2010. Note that the caps have changed for 2010 – seek advice before topping up your super;
- if you are thinking about selling your business in the future, talk to us about valuing your business and/or accessing small business CGT concessions;
- review your legal costs for the year and separate costs relating to regular operations from costs relating to capital expenditure – such as the purchase or sale of property;
- review your expenditure on repairs and maintenance to determine if any items are capital in nature, such as

new assets which need to be depreciated;

- consider comparing your business to data collected by the ATO about your industry. Small business “performance benchmarks” are available for many industries, including: carpentry, painting, restaurants, catering services, coffee shops and many specific retailing businesses. The benchmarks indicate the average level of expenses that are key to the particular business as a percentage of turnover.

Accounting packages

If you use an accounting package to manage your payroll, you need to ensure that you obtain the latest compliance update to ensure that:

- you have access to tax tables relevant to the new financial year; and
- the software complies with the latest payroll and tax legislation requirements.

MYOB has rebranded some of their products as follows:

Previous name	New name
Business Basics	Business Basics
Accounting	AccountRight Standard
Accounting Plus	AccountRight Plus
Premier	AccountRight Premier
Premier Enterprise	AccountRight Enterprise
FirstEdge (Mac)	FirstEdge (Mac)
AccountEdge (Mac)	AccountEdge (Mac)
AccountEdge Network (Mac)	AccountEdge Network (Mac)
JustInvoices	JustInvoices
AssetManager Pro	AssetManager Pro

MYOB has also been busy developing a product called “LiveAccounts” due to be released in the near future. This product will be an online product - moving away





from the need to install and maintain your MYOB software on your computer or server.

FEDERAL BUDGET ROUND-UP

Some business related Budget measures that may be of interest to businesses are outlined below.

Changes to CGT to make it easier for businesses to restructure

The Government will introduce legislation to make amendments to the CGT provisions to improve the ability of businesses to restructure.

The Government will:

- extend the CGT rollover for the conversion of a body to an incorporated company;
- make the share sale facility exclusion more broadly available for CGT rollovers; and
- allow CGT demerger relief for certain demerger groups that currently cannot access the relief.

The three measures will apply to CGT events happening after 7.30 pm (AEST) on 11 May 2010.

We do not believe any of our clients will be affected by this measure.

Look-through treatment for earnout arrangements

Earnout arrangements are used to structure the sale of a business where there is uncertainty about the value of the business. Under the earnout arrangement, the buyer or seller may be entitled to additional payments depending on the subsequent performance of the business.

Currently, an earnout right is treated as a separate CGT asset. Where the actual payments under the earnout

arrangement differ from the amounts estimated at the start of the arrangement, the current treatment can result in reduced access to the small business CGT Concessions.

The Government will allow all payments under a qualifying earnout arrangement to be treated as relating to the underlying business asset. This will ensure that the CGT treatment of earnout arrangements does not create an impediment to the efficient market for the sale of businesses or business assets.

Further reductions in GST compliance costs for business

The Government will reduce compliance costs for businesses through a package of GST reform measures to help business owners spend less time wading through red tape.

The key components of the plan are:

- restructuring the margin scheme provisions with effect from 1 July 2012. These are currently a way of working out the GST payable when property is sold as part of a business. This will clarify and simplify the rules;
- significantly increasing the threshold above which businesses need to interact with the financial supply provisions from \$50,000 to \$150,000 of input tax credits with effect from 1 July 2012;
- introducing measures to protect the GST base by reducing opportunities for businesses to inappropriately take advantage of the reduced input tax credit concessions by bundling services; and
- allowing small businesses accounting for GST on a cash basis to claim input tax credits upfront in relation to hire purchase arrangements.





The reforms are the result of three reviews into specific aspects of the GST announced in the 2009-10 Budget.

HENRY REPORT

Henry Report – highlights

The following are the highlights of the Government's response.

- A Resource Super Profits Tax will be introduced on 1 July 2012 at a rate of 40% on profits made from the exploitation of Australia's non-renewable resources;
- The States and Territories will be provided with new, ongoing infrastructure funding, with an initial total amount of \$700m in 2012/13;
- A refundable resource exploration rebate will be provided to companies, set at the prevailing company tax rate, for exploration expenditure carried out in Australia from 2011/12;
- The company tax rate will be reduced to 29% from 2013/14, and to 28% from 2014/15;
- The company tax rate for "eligible small business companies" will be reduced to 28% from 2012/13;
- The immediate write-off for assets of small businesses will be extended to assets valued at less than \$5,000 from 1 July 2012;
- The superannuation guarantee charge (SGC) will be increased by annual increments until it reaches the plateau level of 12% by 2019/20;
- The entitlement to the SGC will be broadened by lifting the maximum age threshold from 70 to 75 years of age;
- The concessional contributions cap will be raised to \$50,000 per year for

workers who are 50 and over and who have superannuation balances of under \$500,000; and

- A new Government superannuation contribution will be created which will pay up to \$500 for workers with adjusted taxable incomes of up to \$37,000.

Reduced company tax rate from 2013/14

The Government has announced that the company tax rate will be reduced to 29% from 2013/14, and to 28% from 2014/15.

It was recommended in the Henry Report that the company tax rate be reduced to 25% over the short to medium term, with the timing subject to economic and fiscal circumstances (Rec 27).

Small business companies: lower tax rate

The company tax rate for "eligible small business companies" will be reduced to 28% from 2012/13 (ie two years earlier than for other companies).

Small business write-off changes

The capital allowances provisions will be changed in order to allow small businesses:

- to write off immediately assets valued at under \$5,000 (compared with the current \$1,000 limit); and
- to write off other assets (ie assets valued at over \$5,000) in one depreciating pool at the rate of 30%.

Currently, depreciating assets may be allocated to 2 different depreciating pools. This will not apply to buildings.

The revised rules will apply from 1 July 2012.





Future reforms indicated

The Government has promised that in the coming months it will have more to say on a number of areas considered by the review.

The business related recommendation by the Government has said it will consider from the Henry Review include:

- the collection of information required for determining tax liabilities and transfer entitlements from third parties, including employers, Government agencies, financial institutions, and share and property registries (Rec 125);
- the development of a single client account for tax and transfer financial information, for example by linking records and existing client identifiers (Rec 130);
- pursuing further approaches (extending and building on Standard Business Reporting) to reduce the compliance costs associated with business interactions with Government (Rec 126); and
- Small businesses should be assisted in becoming business ready when they commence business (Rec 127).

Disclaimer

Taxwise® News is distributed quarterly by professional tax practitioners to provide information of general interest to their clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their tax adviser for advice on specific matters.

