

Implementing Tax Planning and Minimisation Strategies before the year end.

Breakfast Seminar

Wednesday 17 March
8:00am - 9:00am
Light breakfast will be served from 7.45am
Venue: Our offices

At this seminar Peter will reveal tips to help you make more money and pay less tax in 2010..

To reserve your place please

email: kathryn@pva.com.au

Or call Lauren on

02 9416 9266

To be informed of upcoming seminars, email kathryn@pva.com.au

Wednesday 26 May

Technology & your business: business systems, the paperless office and choosing the most appropriate accounting software for your business

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The importance of bean counting! We recently came across a leaflet produced by a firm of accountants who in an apparent attempt to differentiate themselves, derided bean counting and promoted their financial advice service. Whilst it is important that your accountant looks at the bigger picture, this firm had completely lost the plot. The back bone of your business has always been a properly maintained set of books. In this regard, nothing has changed, even though they are now prepared using computer software (see May seminar). The basics start with a record of orders received and purchase orders made. This determines who you owe and who owes you. A poor system can lead to failure to invoice customers in a timely fashion and even paying suppliers twice.

Software used today can create reports that help you to understand the statistics about your business, enabling you to plan and budget more effectively. We come across businesses who do not worry about reconciling their bank account. Internet banking has reduced the list of un-presented cheques and bank reconciliation highlights mysterious bank transactions and ensures that you have correctly recorded all deposits. Your bank account details are advertised on your invoice so you need to examine your bank statements carefully, which is easy via the bank reconciliation process.

The financial statements provide a definitive picture of the position of your business at a particular time and the summary of activities for the last period. They are the starting point if you're planning further investments. They are used by your lender to evaluate the safety of lending you money. You cannot gain the tax benefits of superannuation if you do not count the beans in your super fund correctly. The Taxation Office will increase the penalties for any disagreements as they will maintain that you have an intentional disregard for paying the correct tax if you have not counted your beans correctly. If you telephone us and ask our opinion about a matter, the first thing that we do is consult your accounts. A game of cricket is useless if you do not keep score. The same applies to the game of business.

What is the hourly cost of an employee?

From the 52 weeks in a year you need to deduct 4 weeks annual leave, 2 weeks personal leave (once called sick leave) and 2 weeks of public holiday, leaving 44 weeks of productive work.

The standard week is now 38 hours thus there are a maximum of 1,672 hours available for the year. However there are always meetings, cleaning and maintenance, clearing emails etc that need to be done and this may account for 25% of the time, leaving 75% or 1,254 of productive time.

What is the cost of these hours? Taking an annual salary of \$40,000, you have to add 9% superannuation which gives \$43,600 or \$34.77 per hour of productive time.

However there are other on costs. We have to add, taking the higher figures, a provision for long service leave (does anyone stay at a job for more than 10 years?) 1.7%, workers compensation 1% (most of us can only get hurt by a sharp pencil) and payroll tax 5.75% and you get \$37.71.

Peter Vickers and Associates Pty Ltd Chartered Accountants

Principal: Peter Vickers FCA

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And what do you need to charge your customer? One rule of thumb is 3 times the \$34.77 per hour or \$104.31. One third goes to the staff, one third goes to cover overheads including the on costs above and then rent, communications, equipment, management etc and one third is the profit which recompenses the business owner for the risks, the goodwill of the business and the return on investment in the business.

If your staff serve 15 customers in a day, at the rate of one per half hour, then you need to make \$52.16 per sale in gross profit. If your mark up is 120% of cost or 54.55% gross profit, then each sale needs to total \$95.63. Every business has its own different numbers and percentages but you need to understand them in order to ensure that your staff are making you a profit. We can help you run through the numbers.

Land Tax

If you own land in New South Wales other than your principal place of residence, or land used for primary production, then you may be liable for land tax if the unimproved value is greater than \$376,000. The tax is \$100 plus 1.6% of the excess over \$376,000 and 2% of the excess over \$2,299,000. All states including the ACT but not the Northern Territory, have similar taxes. The land tax notice is produced automatically in early February, but if you have never registered, then you must register by 31st March. Trusts generally do not receive this threshold.

Most houses in Sydney are above this threshold so renting out a house has an extra cost in the investment arithmetic. If you own a number of properties, thought needs to be put into who will be the owner of the land in order to not waste the threshold. **Peter Vickers** can talk you through this minefield.

Government Tax Reviews

There are various reviews of tax and superannuation in progress which should report before the May Federal budget is handed down. Clients have asked us what the implications are of the proposed changes. The problem is that even the government does not yet know what it will change. All that clients can do is psychologically prepare themselves for the fact that what decisions they make today will effect their tax position in the future and must accept that in hindsight they have to live with the decision that they made.

Income Tax Return Deadline

The deadline for lodging most income tax returns is 17th May. As it can take us up to 2 months to prepare financial accounts and income tax returns, we require client's information by the end of February or we cannot guarantee meeting this deadline. If you lodge your return after the deadline then you may be liable to penalties and interest.

Fringe Benefits Tax

The FBT year ends on 31st March. If an employer provides any benefit to an employee, this is deemed a fringe benefit. The main questions are:

- How do you calculate the benefit?
- Is the benefit exempt from tax?

The most common benefit is a motor vehicle. Parking the car overnight near home, automatically deems the car a benefit. There are two methods of calculating the benefit;

1. Keeping a log book for 12 weeks every five years
2. The statutory method based on total kilometres driven

Both methods require you to take an odometer reading at 31st of March.

We send clients a reminder to take the odometer reading or to start a new log book each year. However if we do not have you in our database, please call **Abhi Sood** and he will send you a copy.

RECEIVE THE NEWSLETTER BY EMAIL?

If you would prefer to receive our quarterly newsletter (and other periodic information) by email, please let us know by emailing kathryn@pva.com.au . For those of you who prefer to receive the paper version, we will happily continue to send it by mail.

In our last newsletter we outlined the various roles in the recording and financial reporting process. What are the limitations of a bookkeeper and thus which processes need to be referred to a higher trained accountant?

- Picking the most appropriate software; MYOB is an accounting software and not a bookkeeping software however we know how to "dumb" this down for you
- designing the chart of accounts
- advice on what is a fringe benefit, in most cases the car, and how to account for it including the GST component
- advice on what is a 'repair' as opposed to an 'improvement' and what needs to be capitalised and thus depreciated, as opposed to being treated as an expense
- preparation of financial statements and design of the most suitable reports for use by management
- advice on terms of trade, cash flow, debt collection and financing of new equipment
- investment advice including advice on investment of surplus cash

Our bookkeeping staff have been instructed when they have to refer a matter to an accountant, licensed investment advisor or later this year a licensed finance broker.

If you would like to find out more about our bookkeeping services call Mook Clifford on 02 9416 9266

The results of the **Lindfield Superannuation Fund** whose investments are managed by Peter Vickers give a good example of what is happening in the share market. Following the bottom of the market on 6th March last year, the fund has achieved a return of 17.8% for the six months ended 31st December 2009. This represents an annualised rate of return of 38.8%. For the latest portfolio update or Annual Fund Information Statement for the Lindfield Superannuation Fund visit:

www.pva.com.au/superannuation.htm

The residential property market finished its last climb in 2003. At that stage most private investors sold their properties as the rental returns became very low. With the slow down in the share market it is expected that investors will again start looking at home units. The recent increase in rents, the shortage of available rental accommodation and the slow down in building activity should again produce capital gains even though Australian housing is over priced compared to the rest of the world. We can explain how borrowing and tax concessions can improve your return.

Ring **Agnes Mock**, one of our licensed advisers for help on **02 9416 9266**

A couple of generations ago grandma budgeted her expenses by putting money for the rent, electricity and gas into separate jam jars. Grandad only went to the pub if he had some coins in his pocket. After our near death experience with unlimited credit cards, some of us now need to relearn these savings techniques. This is the role of the debit card. You can get the convenience of plastic and electronic banking but you can only spend the amount that you have in your account (jam jar).

A similar strict regime needs to be imposed on ones borrowings. The rule with borrowing money is that it has to be paid back with interest. This may sound obvious but the Global Financial Crisis was all about the borrowings of the big end of town. These payments have to be made when the lender says so. The lender is not interested that you need to buy a new dress for your best friend's wedding or the V8 needs an engine overhaul. Remember, the credit card is really only a temporary loan, as is the car lease, the TV rental or even the mobile phone plan. All loans have an interest rate and the less secure from the lenders point of view the higher the rate. Many small businesses now use the home loan to finance their business or investment property due to this being the lowest rate. However this needs care in order to ensure that the interest remains tax deductible, the GST can be claimed up front if you are on a cash basis and higher depreciation charges can also be claimed earlier. This is where you need our advice to get it right.

Please call **Joseph Staub** on **02 9416 9266** if you would like to refinance or discuss your borrowing requirements.

*Peter Vickers Investment Services—a division of Peter Vickers Insurance Brokers Pty Ltd
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Assisting you with Contractual Liability

"You signed what!!" Do you have the right cover or are you exposed? You may be risking your business and personal assets without even being aware.

Many of our clients are regularly asked to sign contracts. It is important to understand "contractual liability" and the IMPACT it can have on your insurance policies and even your assets.

Contractual liability issues are usually very complex and can affect a broad range of professions and policy types. **Remember, before you sign any contracts you can check with us first** to determine if your insurance policy will cover the additional liabilities that you are likely to assume by signing, or we can advise if you are able to obtain additional cover in the market for these new liabilities.

Public Liability Policies—Tips & Traps for contracts

You may be asked to arrange public liability insurance to comply with a commercial contract you have entered into including a lease, licence agreement, loan agreement, services contracts, manufacturing contract and many others. There are some common areas where a commercial contract may conflict with the terms of your public liability insurance policy.

Business descriptions in the policy schedule

If the description of your business activities is incorrect or too narrow, the insurer could deny the claim. It is important to check the services to be provided under a contract and contact your broker to discuss with them whether these activities come within the business description in your policy.

It is also important to keep your broker informed of any changes to your business activities. Even the slightest change to business operations might render a public liability insurance policy ineffective to meet a claim.

An example: A client might tell their broker that the business is manufacturing drilling equipment and mid-term the client might begin to fabricate underground re-fuelling stations. This is a monumental change to the risk profile of the client's business activities.

We are happy to assess the contract to ascertain whether the scope of the services you are about to offer falls within the business description in your policy schedule. If the services are not included, we can establish if your policy can be altered to ensure all services are covered and amend it accordingly.

Sub-consultants or sub-contractors

Sub-consultants and sub-contractors have their own legal duties and liability, for example, liability in negligence for property damage or personal injury. In most cases, a policy will cover you for your vicarious liability for the acts or omissions of your sub-contractors or sub-consultants but will not cover any primary or direct liability the sub-contractors have to a third party without a specific endorsement. In most cases it is better to require sub-contractors to have their own public liability insurance policy than to have them covered under the same policy.

To review your current insurance policies to ensure that you're adequately protected, or if you would like a quote for a new policy

Call 1300 784 011
Or email:
enquiries@pvib.com.au



Speak to one of our team for
Professional, Personalised
Advice,

or visit **www.pvib.com.au**

Our online quote form means that you can request an insurance quote **24 hours a day, 7 days a week** and we will respond to your enquiry on the next business day.

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