

Tax – the new spectator sport?

Who would have thought that the passage of legislation through the Senate would become a spectator sport?

The highly anticipated new composition of Senators sat for the first time in July with the Government's Budget reforms before them.

The key item of legislation to actually pass the Senate was the Carbon Tax repeal. The legislation contains measures to strengthen the Australian Competition and Consumer Commission's pursuit of businesses that do not pass on savings from the carbon tax repeal.

The Government's push to remove the mining tax and myriad of spending measures associated with it – the loss carry back rules for companies, the slowing of the superannuation guarantee increase, the \$5,000 instant motor vehicle deduction for small business, and the generous instant asset write off threshold also for small business – failed. So too did the legislation to encourage the privatisation of State assets (known as asset recycling).

With some of the budget measures retrospectively applied to the 2013/2014 income year, it will be interesting to see what happens as many measures may affect the tax outcomes for business. Additionally, there is a lot of uncertainty caused by:

- world political events (Middle East, Ukraine, Iraq)
- slow-down in the Chinese market
- problems the Australian government is having passing its budget by the Senate
- interest rates will probably remain low for the immediate future. However, there is speculation that the next change will probably be a rate increase, not predicted until the June quarter next year.

All of this highlights the need for businesses to take into account the prevailing conditions by preparing [budgets](#) and [cash flow forecasts](#) for the next 12 months. It's prudent to then monitor cash flow forecasts on an ongoing basis, either weekly or fortnightly, so you're able to react instantly to any changes.

[Debtors](#) remain of concern for most small businesses, so monitor your debtors' position in detail, at least every month. With a sluggish economy, businesses also need to be careful about investment in stock and work in progress. If you would like our assistance in [preparing business plans](#), [budgets](#) or [cash flow forecasts](#), please contact us on 02 6686 3000.



ATO targets deductions

Australian Taxation Office changes tactic of targeting specific professions and now targets specific deductions.

In the 2014 tax season, the areas of deductions targeted are focusing on:

- overnight travel
- transporting bulky tools and equipment
- work-related proportion of use for computers, phones and other related electronic devices

If deductions are claimed on 2014's income tax return, keep extra records and proper notes of reasons why claims are being made, how claims are being substantiated and what private use has been included in determining claims.

Common mistakes revealed during [audits](#) are that claims are made without evidence to support how claims were apportioned between private and work expenses, claiming travel between home and work, and claiming the full deduction for a travel allowance without having spent that much.

Architects, engineers leave money on the table!

Architecture and engineering firms miss out invoicing up to 30% of billable hours, according to new survey.

The report reveals that, on average, 30 per cent of the billable hours of Australian and New Zealand firms are neither being invoiced nor financially recovered, with almost three quarters of survey participants indicating they recovered only 61-80 per cent of billable hours.

The broader picture suggests that loss of billable hours is a common challenge for technical and design professionals, with 26 per cent of such hours not having been recouped on average across the total number of firms surveyed.

Fixed pricing increasingly popular

Furthermore, the report suggests that whilst fixed price contracts are becoming increasingly common, (61 per cent of contracts worldwide; 70 per cent in Australia/NZ) it cautions projects delivered in this manner as opposed to 'time and materials' are only competitive and profitable where they have been scoped accurately from the beginning and stay within agreed timeframes and budgets.

The upside of fixed price projects means there is always the opportunity to maximise profitability if a firm is disciplined in exercising sound project control and carry out exact estimation and planning. On the other hand, should agreed budgets and timescales escalate (we call it 'scope creep'), firms risk losing considerable money.

Whilst the survey also indicated general optimism about the outlook going forward, the crisis in lack of good strategic planning is brought about by the simultaneous impact of:

- aging Baby Boomer partners
- a shortage of staff with partner potential, and
- reluctance of management to confront business planning challenges proactively and head-on.

Navigate through the uncertainties (and certain opportunities) to produce a [strategic plan](#) that fits your firm, using a firm that is not only on top of professional business issues, but deploys them successfully on a day to day basis. Collins Hume Accountants and Business Advisers 02 6686 3000.

HECS-HELP benefit provides grad incentives

Studying or managing student debt? HECS-HELP might be of interest.

The HECS-HELP benefit is designed to encourage some types of graduates to take up employment in specified occupations, specifically:

- early childhood education (ECE)
- maths and science
- education
- nursing (including midwifery)

For ECE teachers, location is also specified as rural and regional areas, Indigenous communities and areas of socio-economic disadvantage. The benefit for ECE teachers was expanded from the 2011-12 income year and provides for:

- an increase in the number of eligible postcode locations in rural and remote areas, including regional cities
- removing requirements for teachers to spend 50% of their time teaching

Qualified ECE teachers can claim the HECS-HELP benefit if they spend some of employed time providing education or childcare services to children who are yet to commence formal schooling and/or pedagogical support to staff who teach those children.

[Contact us](#) on 02 6686 3000 for help completing your tax return and making an application.

Business owner no chicken about changing up to Xero cloud accounting

Bradley Heard was working in commercial retail electrical sales when a local takeaway business came up for sale. He jumped at the chance to own it.

He'd never run his own business or had the need for accounting software before, having simply used Collins Hume for his personal tax.

When he became the owner of his first [Chicken MANIA](#) store, he initially set up his books with Quicken but made the switch to [Xero accounting software](#) prior to opening the second store.

"It got to a stage where Quicken wasn't working for us – the information wasn't readily to hand, nor could I see where the money was going," says Bradley. "For 15 months I was flying blind not being able to get regular financial information. I was sure I was making money, but wasn't definite."

Bradley, working in Ballina and Lismore, focuses on store operations. [Jamie Doyle](#) originally suggested that he try Xero to save the amount of time spent on data entry.

"Jamie reckoned it could reduce our data entry time by 30% or more, but it was hard convincing the bookkeeper who had used Quicken for such a long time and who was reluctant to change. As with any transition of software it was a challenge and we initially doubled up on bookwork while we changed to Xero but, after we saw the light, we got Collins Hume to carry on with the upgrade."

Bradley believes that new Xero users need to factor in set up costs and allow time to transition. He recommends taking advantage of Collins Hume's [Xero start up package](#) with ample support to set up things properly and get going.

"I would fly the flag about Xero to any business. I now look at Xero's Profit & Loss report 6-8 times per month, the monthly comparative report and the dashboard."

"Xero has allowed me to cut costs by 2-3% as I'm aware of where money is going and who is getting what. A great feature of the software is we get chooks billed to Ballina and Lismore but separate the stock in-house. We set up a rule so I can allocate percentages of stock and see the profit margins of both stores independently, with a P&L set up for each store."

In a business that used to rely 100% on Bradley being there to run it, that reliance has now decreased thanks to the set up of good systems. Bradley loves Xero's ease of use and the peace of mind it gives him.

"I also use Xero's iPhone app to check the dashboard so I can get things out of my head, deal with them and forget about it."



"Being cloud-based, I see it instantly; having live information to hand and better time management as a result are huge benefits."

"We have gained huge efficiencies by going to Xero from a bookkeeping point of view for doing accounts and payroll."

Bradley is already talking about taking on more stores. He uses Collins Hume's monthly package of tax, BAS and Xero support to keep him on track.

"Collins Hume are great – I can fire off an email to Jamie and get a response straight away. We encountered a problem with Xero's feeds from one bank. Left to me, it would've been time consuming and frustrating but Collins Hume took it on board and sorted it. Their business experience also came into play to help us with changing awards, as I was out of my depth."

"I bought the business for the potential I saw in it operating as a franchise in the future. The idea is to open more stores next year and build on our brand image so I have a proven successful track record to sell as a franchise model."

"I am more conscious of and focused on chasing profit, not sales, thanks to Xero's live data feeds. 'Profit' is not a dirty word – keeping track of business performance is a smarter way of making sure that all the components of profit are lined up and moving in the right direction so that my franchise idea becomes a reality."

Meet Business Strategist and Partner, Shane Bartrim

Shane looks back and forward as he approaches 10 years with Collins Hume

My first job was working *and* studying to be an accountant. Looking back, I see how much our profession has progressed. The associated advances in technology have turned the corner to the extent that fundamentals drummed into us as trainee accountants remain at the core, but don't necessarily sit at the forefront, of our advice today.

Today's business environment is ruled by regulation, which can often quash our inner entrepreneur. We worry that we're compliant, we don't want the ATO breathing down our necks and every government agency wants its pound of flesh. Building a successful business involves hard work and risk!

Regulation doesn't go away, and the needs and expectations of business owners are as prevalent as ever. Yes, it is risky owning a business, but who better than your accountant to use as a sounding board? Great business advice is incredibly powerful and valuable. At Collins Hume we look to partner with our clients to provide [strategic guidance](#) where it is most needed.

So what do we see on the horizon for FY2015?

During FY2015 we'll build on our firm's existing [Self Managed Super Fund \(SMSF\) services](#) to improve outcomes in light of announced super reforms and regulatory requirements, keeping pace with the changes so that trustees meet their obligations.

When it comes to wealth creation within super, we'll continue to identify and help apply the best strategies for our clients. From tax minimisation to estate planning strategies, there are a number of ways we can help save many thousands of dollars for our clients, minimising tax and/or passing on tax savings to future generations.

We will also be committing additional resources to further assist many of our business clients who have a lot to gain by taking some simple steps to the way they maintain and utilise their financial records. The pace at which technology is developing and being adopted can be daunting. My 14-week old daughter hasn't picked up an iPad yet but, given the pace at which her older brother and sister learnt to navigate this technology, it probably won't be too far away!

It seems that every industry is obsessed by technology, not only ours. Yet few properly understand the leverage it offers. And everybody crunches numbers, but not everyone stops or has time to think about them. Since we attained [Xero Certified Partner](#) accreditation in 2013, things have moved apace, yet we still only



find a handful of business owners who fully understand ['the cloud'](#). Cloud accounting is exciting to say the least, but one size doesn't fit all. We'll be looking at assessing each client's accounting needs and lining those up against the key providers in FY2015.

As time progresses, those who don't embrace technology and reap the subsequent efficiencies will find themselves at a disadvantage to their competitors who are embracing it. Not only is technology helping business owners to improve their streamlining of processes, but it is helping them to reach larger markets both geographically and demographically.

I have spent most of my career using business [accounting and tax](#) as the core of my advice helping business owners to form overarching business strategies – often generating better than expected outcomes which germinate from prima facie business accounting or tax issues. With cloud accounting now well within our accounting and tax remit to help clients streamline their data processing and save time on generating paperwork, we can look forward to better collaboration and exploring the other possibilities of their businesses, to address the issues that matter in a more timely, meaningful manner.

More at [Shane Bartrim, BBus \(Acc\), CPA](#)

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Federal government grants for your small business

Untap one of the best resources to help your cash flow.

Government grants are one of the best-untapped resources to help your business overcome one of its biggest challenges: [cash flow](#).

While it is certainly easier for large companies to access funding, applying for available government grants is a great way for small and medium business owners to get their hands on a bigger slice of the government funding pie.

Here we list of some of the best federal grants to help you on your way. We haven't covered everything that's out there but this list should set you on the right path:

■ Entrepreneurs' Infrastructure Programme

One of the big changes this year is the replacement of Commercialisation Australia and the Innovation Investment Fund with the Entrepreneurs' Infrastructure Programme, [announced in the May budget](#).

The program has three streams – Business Management, Research Connections and Commercialising Ideas – and replaces Commercialisation Australia and the Innovation Investment Fund with a single business service, supplying \$484.2 million over five years.

Business Management is currently the only stream open for applications. Businesses register for an evaluation assessment to take place at their premises and, based on findings, apply for a Business Growth Grant, which can be used to bring in advisers like Collins Hume to help implement the recommendations.

Grants can be used to reimburse a business for up to half the cost of engaging external consultants and are capped at \$20,000. Applications must be made within six months of undertaking a business evaluation.

The other two streams of the Entrepreneurs' Infrastructure Programme – Research Connections and Commercialising Ideas – are so far unavailable.

■ Export Market Development Grant

The scheme operates more like an incentive for exporters, as opposed to an upfront cash grant, with recipients required to spend their own funds first before applying for reimbursement from the government. Small and medium business owners can be reimbursed up to 50% of their eligible export promotion expenses above \$5,000 and provided that total expenses are at least \$15,000. The maximum amount a business can receive in its initial payment is \$60,000.

Exporters have until Monday 1 December 2014 to apply for this year's grants. The scheme received a \$50 million boost in the government's mid-year economic and fiscal outlook in December 2013 so it's worth checking your eligibility.

■ R&D tax incentive

For businesses that can satisfy the eligibility requirements of the government's Research & Development tax incentive, the benefit is immense.

Businesses of all sizes can participate in the program, but the offsets have changed this year.

Businesses making under \$20 million could previously receive a 45% refundable tax offset, but as of 1 July this rate has dropped to 43.5%. Likewise, the non-refundable offset for bigger businesses has also been cut, from 40% to 38.5%.

The changes apply to business income years commencing on/after 1 July 2014, with existing arrangements to remain in place for income before this time.

There are a number of steps involved in claiming the R&D Incentive, so it's important to know the cut-off points. Call Collins Hume on 02 6686 3000 or visit [Growing small to medium businesses with grant funding](#) to find out more.

[Download Collins Hume's latest Grant Alert & Update.](#)

Money tight? Looking to invest? Financially Secure?

6 common sense ways in which Collins Hume may be able to help you

collinshume.com.au

Collins
Hume

ACCOUNTANTS
BUSINESS ADVISERS

Have you ever wondered if your financial affairs are in order?

Talk to one of Collins Hume's expert advisers today to ensure you and your family are financially organised.

1 Personal Budgeting *Are you living payday to payday?* Yes/No

Even the most organised individuals could be running into the red. The best way to get control of your finances is to do a budget now. A budget will help you understand the money going in and out of your household.

2 Superannuation *Are you wondering if a self-,managed super fund might be right for you?* Yes/No

For many, superannuation will be the biggest investment they ever make. Yet most people don't give it much attention. Take greater control of your wealth and talk to us today about your super.

3 Rental Properties *Are you looking to invest in a rental property? Do you need help crunching the numbers?* Yes/No

Contact us if you would like us to run a feasibility study of your next investment property so you better understand the anticipated returns and cash flows, before you put down that deposit.

4 Loan Review *Would you like to know if your debt is structured correctly and working for you?* Yes/No

Debt is sometimes a necessity but it doesn't have to be a burden. Ask us today about strategically reviewing your home loan, car loan and other debt to ensure you aren't paying the banks too much.

5 Wills & Estate Planning *Has it been a few years since you last updated your Will? Is it important to you those left behind be taken care of financially?* Yes/No

Ensuring the long term success of your affairs is critical in establishing a well-designed succession plan. Coordination of the transition of your estate to kin or beneficiaries can be a tedious process, but we can help alleviate your concerns by addressing the complex issues of business continuation or personal legacy planning.

6 Risk Insurance *Are you concerned that your income is not protected? Would you struggle to pay the bills if you were injured or sick?* Yes/No

A multitude of risks exist in today's world. At Collins Hume we pride ourselves on our proven ability to accurately assess risk and to protect you from vulnerabilities inherent in your environment. An effective risk management strategy will allow you to achieve your goals and protect the value of your assets.

If you have answered YES to any of these questions, or would simply like more information, please fill in your details below and one of our expert advisors will contact you.

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