

Happy new Financial Year!

Setting business targets for 2012/2013 requires business owners to take into account a number of variables

A number of commentators were surprised at the annual **rate of growth** revealed in the March 2012 figures, which was calculated at 4.3%. Do you expect that kind of growth to continue throughout 2012/2013? Probably not, unless you're operating in one of the key industries in the strong economic performance states of the Northern Territory, Western Australia and Queensland.

The **inflation rate** appears to be under control and it is not expected that there will be a significant change in the underlying inflation rate during this financial year.

The Reserve Bank of Australia refrained from moving **interest rates** at the July board meeting. Many commentators believe that the prime rate will continue downward to around 3%. However, one former Australian Reserve Bank member has advocated in recent weeks that interest rates should in fact be increasing. The general consensus of opinion however, seems to be that interest rates will not be going up in the short term. There is an expectation however that, by 2013, interest rates will start to increase again. So if you're currently negotiating new loans, it is advisable to lock in rates for a period of time.

It is difficult to ignore **government** action because so many things, which may affect small businesses, can be instigated by government action. The Carbon Tax has commenced; businesses can expect significant increases in gas and electricity charges.

However, in some areas of Australia, waste disposal fees and dump usage fees are expected to increase substantially because of high methane gas production from dumps, which means that a number of local government organisations are included in the 500 major organisations that are expected to be paying the Carbon Tax. These organisations will undoubtedly seek to recover the costs in dump usage fees, waste management fees and general rates. In many areas of Australia, business conditions are still very sluggish with the retail sector in particular being very slow. There has been some publicity of public companies, involved in retail activities, announcing profit downgrades and closure of some retail outlets.

Cash flow management remains a very important component of effective business management for small business operators. If you are preparing budgets and cash flow forecasts for 2012/2013, these factors should be taken into account in drafting the budgets and cash flow forecasts.

If you would like any assistance on developing your plans for 2012/2013, please do not hesitate to contact us on 02 6686 3000.

What changed on 1 July?

Small businesses now have access to:

- An immediate deduction for depreciating assets costing less than \$6,500 (GST exclusive)
- An immediate deduction on the first \$5,000 for motor vehicles used for the business (new or second hand)
- All other assets depreciated at 15% in year of purchase and 30% in future years.

Companies now able to 'carry back' up to \$1m of losses offset against previous tax paid.

New reporting regime for building and construction industry (more on page 2).

GST changes to hire purchase agreements entered into from 1 July. Businesses accounting for GST on a cash basis can claim the full tax credits up front. All components of the arrangements are now subject to GST, even if credit component is disclosed separately.

Carbon Tax introduced.

Wider range of businesses will qualify for fuel tax credits.

For SMSFs, concessional contribution cap for those 50 and over now same rate as everyone else at \$25,000.

For individuals, income tax rates changed, 15% tax on super abolished for low income earners and household assistance package introduced.

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New ATO taxable payments reporting for building and construction businesses

Builders need to get on the front foot to meet new ATO reporting obligations with confidence

From 1 July 2012, building and construction industry businesses are required to report payments to contractors for building and construction services to the ATO on the Taxable payments annual report.

Who needs to report?

If 50% or more of your business activity or business income relates to building and construction services, and you have an ABN, you need to report payments you make to contractors.

A contractor can be an individual, partnership, company or trust.

The ATO requires specific details to be reported on each contractor, and has provided a worksheet for this purpose, which you can obtain from the ATO's website.

When to report

The first Taxable payments annual report is due 21 July 2013 for payments made in the 2012–2013 financial year. In this first year, if you lodge your BAS statements quarterly, you may lodge by 28 July 2013. Lodge your report online or on paper.

Payments you do not report

You're not required to report on payments where the invoices are for materials only, such as building supplies.

Do not report any unpaid invoices as at 30 June each year.

You are not required to report payments to employees or workers who you complete PAYG reports for.

You do not need to report if you are a homeowner making payments to contractors for domestic projects.

If you are in a consolidated group or multiple entry consolidated group for income tax purposes, you do not need to report payments you make to another member of that same group.

Review your records now!

For a list of examples of building and construction services requiring compliance with the new reporting, visit www.ato.gov.au and click on 'Businesses'. Then call us to discuss your business and your obligations on 02 6686 3000.

Export Market Development Grant Application

If you have exported product during 2011/2012 and have expenditure in excess of \$20,000 on export market development activities, then you could be eligible to lodge an Export Market Development Grant Application. The application needs to be lodged with Austrade by no later than 30 November 2012. There are no extensions available. Businesses with turnovers under \$50M in the 2011/2012 financial year and who have spent in excess of \$20,000 on eligible export expenses, can apply.

In the first year, a business is able to combine eligible export expenses for two years to achieve the \$20,000 minimum expenditure requirement.

If you have exported product or have commenced export market activities and have incurred in excess of \$20,000 on export related expenses, we'll be happy to assist you in the preparation of an Export Market Development Grant Claim. If you would like a list of the eligible expenses for Export Market Development Grants (Form 014-030a), please contact us.



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Key targets for budgets and cash flow forecasts

Now is a great time to prepare your budgets and cash flow forecasts for the new financial year

When most people get in their cars it is with the intention of travelling from one place to another. If they don't already know the route, and there is no access to satellite navigation, they will map it out in advance.

Your financial budget is the money map of the journey that your business is about to take. Your cash flow plan is the equivalent of your fuel gauge, telling you how much cash you have available. This is important, as it is not just low profit businesses that need to monitor cash carefully. The risk of running out of 'fuel' can be highlighted by an up-to-date cash flow plan. We recommend that you begin the budget process by considering your key targets for 2012/2013, including:

1. What are your goals for the next 12 months?
2. What are your sales targets?
3. What affect do you believe the economy will have on your business?
4. Break-even calculations - what are they going to be at a various levels of operations?
5. Currency fluctuations - if you're an exporter or importer, what affect will a move in the Australian dollar have in your business?
6. Have you reviewed your 'sales funnel'?



Some additional questions on business planning

- Has your business local strategic alliances with other businesses in your area?
- Does your business have a 'can do' attitude that is recognised in your area?
- Do you attend conferences, seminars and meetings to keep abreast of developments in your local community?
- Has your management team talked to other business people to ascertain their views as to where business in your geographical area is heading?
- Are you an active member of organisations such as Chamber of Commerce?

Answers to all these questions will help determine strategies for implementation within your business to make the new financial year full of positive outcomes.

Call us on 02 6866 3000 for guidance and input into your own business budgeting, cash flow forecasting and business planning processes.

Tax planning for Trusts

Recent action by the ATO relating to Trust Distributions having to be made prior to 30 June has created a number of issues for accountants, trustees and Trust beneficiaries

- If trust minutes are invalid, this could result in the trustee being assessed at a full marginal tax rate, due to no beneficiary being presently entitled, if no default beneficiary is included in the deed.
- If your trust deeds have not been reviewed recently, contact us.
- Trust deeds that do not deal with Capital Gains and Franking Credits could result in the trustee being assessed on these amounts at the full marginal rate of tax due to no beneficiary being presently entitled.
- Poorly drafted trust minutes could result in trust distributions being taxed at higher rates in higher income earning beneficiaries' hands instead of in the hands of a lower income earning beneficiary.

The ATO's action has highlighted the need for tax planning for each Trust to become a compulsory measure during the financial year (not at the end of June) in order to ensure proper distributions are agreed to and that trust minutes are prepared confirming the decision of the trustees prior 30 June each year.

If you have any queries on the operation of your Trusts, please contact us on 02 6866 3000.

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Collins Hume's International Business Development Conference this October

Surf the Wave to Success, in the beautiful Telo Islands off the coast of Western Sumatra, promises to be a world-class event

With personalised guidance from Peter Fowler, one of Australia's premier Business Strategists and nationally recognised CPA Young Business Leader, conference workshops will allow you to identify areas of business improvement and provide great strategies that can be implemented immediately to achieve instant results upon your return. You'll be provided with comprehensive session notes, industry-specific market research and benchmarking reports.

Conference sessions will be run in five daily workshops of 2-3 hours per day at the end of each day to ensure you get in a few daily surfs whilst still learning proven strategies to improve business performance.

We have fully booked luxury boutique resort Resort Latitude Zero on a privately owned island and have exclusive use of all facilities. The resort's three speed boats can deliver you to any one of the 40-plus surf breaks in the Telo Islands group with all skill levels catered for.

As well as exclusive use of the resort, attendees receive exclusive conference merchandise, resort massage and two complimentary Bintang's each afternoon from the bar. The five-star service also includes three chef-prepared meals every day.

For business owners and managers this package is potentially tax deductible!



Find all the information you need to organise your place on the Collins Hume website at www.collinshume.com.au/services/events. For a preview of Resort Latitude Zero and the island visit www.resortlatitudezero.com.

Places are limited and are sure to book fast! To avoid disappointment, contact Wendy Gleeson at wendy.gleeson@collinshume.com.au or Peter Fowler at peter.fowler@collinshume.com.au or phone us on 02 6686 3000 to book.

The material and contents provided in The Strategist are informative in nature. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, seek professional advice from Collins Hume.



Special workplace health and safety seminar

SAVE THE DATE for our special free workplace health and safety workshop to be held on 29 August at Collins Hume's offices at 97 Tamar Street, Ballina.

Presented by the Business Assistance Branch of WorkCover, we will confirm arrangements in coming weeks to give you plenty of notice should you wish to attend.

Call us on 02 6686 3000 if you wish to be added to the invitation list in advance.

Vote for us in the BCCI People's Choice awards

It's BCCI Business Awards time again!

Please vote for Collins Hume as your favourite business to nominate us for a People's Choice Business of the Year.

Simply add your vote to our business on Ballina Chamber of Commerce's page at www.facebook.com/pages/Ballina-Chamber-of-Commerce/129874921115.

One vote per business per person. Voting closes on Friday 7 September 2012. And thanks to BCCI for inviting us to take part.