

Time to clear out the old

New Financial Year housekeeping

For business, July is the month you need to make sure you have properly closed off the last year and can start the New Year the right way. Here is our essential checklist to prevent last year overflowing into this year:

- Reconcile your [GST](#) control account.
- Does the income declared in your BAS for the last year reconcile to your annual income?
- Check that the minutes for all director and trustee resolutions pre-30 June are documented and signed off.
- Make sure that your stocktake has been completed and documented.
- If you have paid management fees to a related entity during the year, ensure that all of the tax invoices have been documented and that there is a reasonable commercial basis for the charges applied.
- Where dividends have been declared to manage Division 7A loan payments, ensure that there are letters of instruction on file that the dividend is to be credited against the loan account. Dividend statements still need to be completed.
- If you have cross border-related party transactions make sure you have your transfer pricing file completed with all of the requirements signed off.
- Review all contractors for the year going forward to ensure that they would [not be deemed to be employees](#).
- Get your [operating budget](#) completed for the year.
- Get your [cash flow budget](#) in place.
- Check the adequacy of your funding arrangements with your bank.
- Check that you meet any loan covenants that you have with your bank at 30 June.

New Grant – Entrepreneurs' Infrastructure Program from 1 July

The Federal government announced that it will phase in the commencement of the Entrepreneurs' Infrastructure Program, progressively from 1 July 2014. The program is designed to incorporate some of the aspects of the discontinued Enterprise Connect Program and the discontinued Commercialisation Australia Program. The programs to be offered by the Entrepreneurs' Infrastructure Program include Business Management, Research Connections and Commercialising Ideas. [Click here](#) to read more in our latest Grants Alert & Update.



Debtor days outstanding

Calculations give control

Dun & Bradstreet indicated that the national debtors' days outstanding figure is currently at 54 days.

- Do you know how to calculate debtors' days outstanding?
- If so, do you regularly calculate your effective debtors' days outstanding?

A procedure can be established, which will help you identify major debtors. Then have discussions with your debtors to ensure you're going to receive a substantial amount of money from them during the forthcoming period of time. If this procedure is carried out regularly, it will assist in reducing debtors' days outstanding.

Collins Hume can assist you with the calculations so you can properly determine your debtors' days outstanding at the end of each month. If you would like to discuss the effective management of your debtors' system, please contact us on 02 6686 3000.

Switching to Xero puts manual bookkeeping methods on ice

Owning a young and busy commercial refrigeration outfit, sole proprietor Craig Hopkins was looking for the most up-to-date and user-friendly method of keeping his accounts in order for his business, [Fridgy's Air](#).

Keen on integrating his accounting, Craig was eager to embrace the timesaving benefits of [Xero Cloud Accounting software](#) at the recommendation of [Chris Atkinson](#).

"In the past both my wife and I had been very hands-on with our accounting, which had been a manual system combined with [BankLink](#). But Chris said Xero was a great platform and simpler to use, and if we had any questions he and [Jamie Doyle](#) would be able to log in at the other end and give us a hand," says Craig.

Craig says even for someone like him with no prior experience with Xero's software, the whole integration of his accounting system was a no brainer.

"My wife was doing the coding, the bookwork and monitoring BankLink. Initially the set up worked but it also required me to manually raise paper invoices, create statements to chase payments, generate receipts and code everything into BankLink."

"We needed to have a complete, fool proof system that I could work with that could handle purchase orders, itemise parts, keep track of costs and help me know what to charge."

"I just loved Xero straight away — it took away a whole lot of pressure. It was actually really easy to change over to Xero. With Jamie's help I gained a good understanding of what to do and how to utilise the bank feed. I could never go back to the old way."

Craig loves the peace of mind knowing exactly where his business is at any one point, whether logged in from his office or on his iPad on the road. Changing up to Xero means he is the one driving his business accounting, not his wife.

"I use it for basically everything — I now know at any given time my position on parts and stock, invoicing, and debtors and creditors. Overdue payments turn red in Xero so I can keep on top on chasing late payers."



"Previously I would never do this till end of each month. The live bank feeds allow me to jump on straight away and see if I've been paid," says Craig.

More and more Craig finds himself using Xero in between jobs throughout the workday.

"It's so easy to log on, it takes minutes to load up and it's all there live. Previously I had to find time at the end of each day to do my paperwork, and that was only if I was in the mood."

Craig says after only a few months of using [Xero cloud accounting software](#), he's already recommending it to friends and colleagues.

"What was particularly valuable was Collins Hume's service of transferring all our business data from BankLink to Xero. Jamie was very clear and handled the entire process. If it had've been left to me, who knows when it would've been done? Collins Hume made my understanding of the whole process easy, plus they took the opportunity to modify and update how we do things. Working with Collins Hume and Xero, both they and we can see any accounting issues and now resolve them together."

1 July – what now?

The 2% debt tax is in and the carbon tax is out. We look at some of the highlights for the new financial year.

The push for change

The Senate composition changed on 1 July and with it, the Government's opportunity to push through its reform agenda. The reintroduced repeal Bills for the Carbon Tax and Mining Tax passed the House of Representatives and were passed by the new Senate.

The Budget contained some fairly radical reforms particularly to social welfare and education. The position of the Greens, the minor parties and independents on these reforms is crucial. At stake is a bolstered maternity leave scheme, in some circumstances a dramatic change to Government subsidies for families and the unemployed, and the structure and affordability of higher education.

For business, a number of changes have been announced but not enacted after the Bills were rejected by the previous Senate. The Bill repealing the mining tax contains the amendments to remove the loss carry-back rules for companies from the 2013/2014 financial year, remove the instant \$5,000 deduction for motor vehicles acquired by small business entities from 1 January 2014, and reduce the instant asset write-off threshold from \$6,500 to \$1,000 for small business entities from 1 January 2014.

The Bill repealing the carbon tax will likely see the Australian Competition and Consumer Commission (ACCC) step up its campaign against businesses that used the tax as an excuse to artificially inflate prices. The repeal Bill gives the ACCC greater powers to monitor pricing in key sectors and take action where they believe a business has made "... false or misleading claims about the effect of the carbon tax repeal or carbon tax scheme on the price for the supply of goods or services."

Employers paying SG

Employers can expect a renewed focus from the ATO on [superannuation](#) guarantee (SG) payments made to employees. With the increase in the SG rate from 9.25% to 9.5% on 1 July 2014, employers will need to make sure that payments are made on time and that the calculations are accurate. Be aware that the increase in SG does not necessarily reduce the take home pay of employees. In many cases employee contracts are 'base plus superannuation'. In this case, the employer absorbs the increased SG rate, not the employee.

Overseas assets and income? Why the ATO wants you

The ATO is heavily targeting individuals that have assets and income from overseas. A month ago, the ATO announced an amnesty, called Project DO IT, that allows people to declare unreported assets and income they have received from overseas. These voluntary disclosures have already raised over \$13 million in back taxes.

Now the ATO are backing up that amnesty with a new data matching program to target those who have not voluntarily declared foreign income. The data matching program will troll through information from overseas tax authorities on Australians with offshore investments and bank accounts; information from Australian and foreign banks on fund flows, interest and account balances; information from informants about offshore accounts, and money transfers to and from offshore bank accounts.

The bottom line is that if you don't declare income you receive from overseas on which you should be paying tax in Australia, and the ATO catch you, you can expect little mercy. Don't assume that just because your foreign income is genuinely not subject to tax overseas that it is not taxable in Australia.

If you suspect you might have a problem, [talk to us today](#) to assess your position and manage your approach.

Continued/...

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1 July – what now?

We continue our look at some of the highlights for the new financial year.

Are your contractors really employees?

The ATO continues to enjoy a high success rate challenging the treatment of contractors under the [superannuation guarantee \(SG\) legislation](#).

Despite recent comments made by the Government that the ATO should 'relax' its approach to contractors, the ATO has no reason to simply walk away from such a potentially lucrative revenue stream – why would they when the law is on their side?

As there is no real time limit on the recovery of outstanding SG obligations, business owners need to take a proactive approach reviewing arrangements to ensure that the business is not exposed to material liabilities.

The start of the new financial year is a great time to do this.

The underlying issue is that employers often take the contractor relationship at face value – that is, what the piece of paper describing the relationship actually says. The reality is quite different as the law is based on the character of the relationship not what is stated in writing. So, if your business has contractors (or you are a contractor) performing the same role as an employee, then it's possible the ATO will classify them as employees for SG purposes.

A genuine independent contractor providing personal services will typically be:

- Autonomous rather than subservient in their decision-making;
- Financially self-reliant rather than economically dependent upon the business of another; and,
- Chasing profit (that is a return on risk) rather than simply a payment for the time, skill and effort provided.

There are a number of tests that can apply to help determine the status of a contractor – such as control, whether the worker has been hired to produce a result, the ability for them to freely delegate work to someone else, risk exposure, ownership of tools and equipment, and the treatment of business expenses, etc.

Employers cannot contract out SG responsibilities by adding failsafe clauses in contracts. And, there is no certainty that a contractor using an interposed entity (for example setting up a company and operating through it) is fool proof.

SMSFs and protecting \$558bn assets

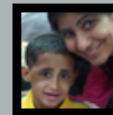
Access to, and the use of, the \$558 billion in assets currently held in Australian Self Managed Superannuation Funds (SMSFs) is a touchy subject. From 1 July 2014, the ATO has new powers to deal with delinquent trustees including directly levying financial penalties.

Trustees should read the bolstered ATO powers more broadly as part of an overall campaign to 'add teeth' to the ATO's SMSF compliance programs. So, if your SMSF has borrowed funds, has overseas interests, undertaken related party transactions, etc, make sure your investment strategy allows it, and all the paperwork supporting your position is in place and within the rules.

The material and contents provided in this publication are informative in nature only. 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, professional advice should be obtained by calling Collins Hume on 02 6686 3000.

Our giving impact

796,377 micro-impacts to date



We've covered 1,087 days of social workers wages so they can do real good for others.

Find us on B1G1



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Navigating the remainder of FY2015

For many business operators, the tough times are not getting any better. Continually look for any signs to try to predict if there's potential trouble ahead.

The warning signs include:

- Payment time by debtors – as per Dun & Bradstreet's research, there are many businesses that have debtors' days outstanding in excess of 54 days. If your debtors' days outstanding starts to creep up, you potentially have a problem.
- Stock turn – is your stock turn slowing down and your investment in stock increasing? Perhaps you need sales or other promotions to sell some stock.
- Are any suppliers trying to impose harsher payment terms than what you've agreed? This could be a warning that a supplier is under their own financial pressure.
- Have you got a few customers who make up the bulk of your sales income? During good times, this may not be an issue. However, when things are tough, this could be a real problem. What would be the situation if one of those key customers discontinued trading with you?
- Have you got key suppliers? If you notice some changes in the suppliers' characteristics, perhaps you should be starting to look around to see whether you can source product from alternative suppliers. The change in suppliers' attitudes may well indicate that the supplier has some problems.
- If you're having difficulties making BAS and/or super payments, this can be a sign that you need to be having discussions with your financial institution. It's not a good idea to get offside with the ATO. There are laws that make directors of companies personally liable for amounts that have been withheld and the payments have not been made on time to the ATO.

Another key area to consider is the [Personal Property Securities Register \(PPSR\)](#). The Personal Property Securities Act (PPSA) is now fully operational. Unfortunately, a lot of business owners still don't appear to understand how the PPSR operates. You can gain a significantly better level of security by registering some transactions on the PPSR, primarily relating to 'Retention of Title' arrangements. This better level of security also applies to some leases and to a wider range of other business activities, including:



- sale of goods on consignment;
- assets stored in someone else's possession;
- livestock on agistment;
- loans (including loans to associated entities and associates);
- service entities; and
- intellectual property assignment.

There have already been a number of significant court cases in Australia, on the operation of the PPSA.

Considerable sums of money have been lost by the businesses that paid for an asset but had not registered their interest on the PPSR. As a result, they've lost those assets to a secured creditor. In most cases, if the business, that had paid for the asset, had registered its interest on the PPSR, it would not have had a problem.

If you would like our assistance on any aspect of steering your business through FY2015, please contact Collins Hume on 02 6686 3000.

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Extra support when you need it in FY15

Switching from hotel management in the UK to public accounting in Australia might not be a leap many would take, but Collins Hume's Clare Russell has done it with alacrity.

In fact, she has been a presence across a number of different roles for the past 11 years after she first joined Collins Hume in 2003.

Between nailing the new job and juggling a young family, in 2009 Clare eventually worked her way into a Client Services Administration role where she now manages the firm's job flow.

"I constantly liaise with the partners, accountants and Collins Hume clients to keep everything running smoothly by allocating work, managing job progress, chasing queries and following up when necessary," says Clare. "We're proactive about keeping on top of things, especially when it comes to quarterly BAS time."

The key is education, which Collins Hume is doing one client at a time.

"My focus is to manage the firm's work, planning jobs with our accountants and reorganise anything that's required. I like to go through the records in advance before handing over to the accountants to make sure the information is in the best shape it can be. I have a good knowledge of who our clients are across the whole firm, so I tend to have a solid overview of what's happening at any given time."

"Because so much effort is spent getting our clients' records in order and keeping quarterly obligations up to date, I need to be all over the deadlines. But we are gradually empowering our clients to also take responsibility and to prepare by making upcoming deadlines as transparent as possible."

It's a big job, which Clare doesn't take lightly, and she enjoys the varied work. Collins Hume's team atmosphere gives each day a boost.

Clare sees first hand how Collins Hume clients are moving more to an electronic way of managing their accounting and tax affairs. One large project in which she is involved is moving clients from Collins Hume's secure website log in onto a web-based document management system. It is still a work in progress.

"My role has progressed a lot, particularly in the past few years with the advent of online lodgements, electronic filing and rolling out Collins Hume's new [Nimbus](#)."

And, as one of the firm's [Certified BankLink Users](#), Clare also manages BankLink for 400 active clients. She coordinates the sending and receiving of BankLink files to clients, reviews all their coding, plus coaches clients by phone on how to best use BankLink to streamline their accounts processing, especially for quarterly GST and BAS. She would like to see more people go that way.



Collins Hume's Clare Russell and entry #389

"Cloud computing and cloud accounting is fabulous because everything is live and the data is all there for us and our clients to see!" says Clare. "BankLink Secure provides another option for our clients to download and code their own bank statements and process their own BAS with our support if they need it."

[Xero Certified User](#) Clare already holds a Certificate IV in Accounting, but is pursuing further study with a Bachelor of Business from Southern Cross University, which she started this year.

"Whilst my degree is in its early days, it's exciting and totally different from when I studied as an undergrad. Going round again I am totally motivated and bring a commercial outlook from my hotel management experience to my studies."

In between work and study, Clare lives for her family, friends and travel. The gym gets a look in too, having recently completed the 35km walk from Byron Bay to Ballina raise funds for the [Westpac Rescue Helicopter Service](#).

For now, Clare is getting her own ducks in order whilst Collins Hume conducts its annual financial year-end tax planning with clients. She exudes a certain calmness knowing that her workflow management is well in hand for FY2015.

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