

## Things to do and review before 30 June

### For you personally

**Private health insurance** | From 1 July 2012, the private health insurance rebate will be subject to an income test affecting singles earning above \$84,000 and families above \$168,000. Also, the rate of Medicare levy surcharge will increase for these taxpayers who do not hold appropriate private health insurance policies from 1 July 2012.

If you are likely to be affected by the changes, the tax office has recently confirmed that you can prepay your health insurance premiums for the new financial year and still claim the offset in your 2011/2012 tax return. But, to qualify for the offset:

- the prepayment must be received by the fund by 30 June (don't just pop a cheque in the mail on 30 June). A premium payment occurs when the insurer receives the amount. The time of physical receipt of the amount by the insurer is the relevant time, not the date the payment was made to the insurer or when the insurer allocates the amount to the member's account; and
- you can't already have claimed the rebate as a premium reduction.

**Review salary sacrifice agreements** | Personal tax rates will change from 1 July 2012 and the flood levy will no longer apply. Also, the concessional contribution cap for superannuation for those 50 and over is also changing (from \$50,000 to \$25,000).

If you have a salary sacrifice agreement in place, it's important to review this agreement to make sure it is still relevant. And, in the case of the superannuation contribution cap changes, your existing agreement does not tip you over the contribution cap for 2012/2013.

**Living away from home allowance changes** | If you receive a living away from home allowance (LAFHA) for working away from home, there are a number of changes that will affect you and your employer. These changes are not yet law but are expected to apply from 1 July 2012.

From 1 July 2012, cash LAFHAs will now be included in your taxable income and taxed at your marginal tax rate. You will now need to keep all the receipts and evidence of your expenses while living away from home: no receipt, no deduction.

Also, a new series of tests will apply to determine if you qualify for LAFHA concessions. The main condition is that you must have a usual place of residence in Australia that is maintained for your "personal use and enjoyment" while you are living and working in another location. That is, you cannot rent out your usual residence while you are away. LAFHAs will also be time limited in most cases to 12 months. While the changes apply to all new LAFHA arrangements from 1 July, there are some transitional rules that will apply to existing arrangements.

## For your business

### Trustees must decide on distributions by 1 July

Trustees need to decide on distributions of trust income by 30 June (at the latest) to ensure that beneficiaries are presently entitled to trust income for tax purposes. Trustees used to have until 31 August to make a decision but this administrative concession has been removed. If the ATO is not satisfied that the resolutions have been made in time then the risk is that the trustee or default beneficiary will be taxed on all of the trust income.



### Manage loans to shareholders

If you operate through a company structure and the company has advanced you money during the year or paid expenses on your behalf, then work out whether you are going to repay the loans or put in place a complying loan arrangement. If you already have loan agreements in place from prior years make sure that you make the minimum repayment (including interest) before June 30.

**Continued...**

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## Things to do and review in your business before June 30

### Dividends

If you operate through a company and are going to pay dividends this financial year, make sure that the appropriate resolutions are made and documented. Check whether you need to pay the dividend before 30 June. If you wait until 1 July you will defer any additional tax for another year.

### Consider whether to buy cars or small assets after June 30

From 1 July 2012, Small Business Entities (operational businesses with an aggregated turnover below \$2 million) have access to a much more generous system for claiming depreciation deductions on the purchase of plant and equipment. So, if you can wait a few more weeks to buy those assets you might achieve a much better tax outcome over the next couple of years. In the new financial year, you can claim an immediate deduction for any depreciating assets that cost less than \$6,500 (after GST credits have been taken off the original cost), and an immediate deduction for the first \$5,000 for any motor vehicle used for business purposes (new and second hand vehicles). However, it is important to do the sums now because in some cases you might be better off buying assets before 30 June.



### Defer your income

If possible, defer your income until the new financial year. In particular this can work for service based businesses or where you are billing your clients on a progress payment basis. Make sure you manage any cash flow effects that come with this.

### Manage your capital gains and losses

Remember that capital gains trigger on the date of the contract not the date of payment. Also, capital losses can only be written off against capital gains. So, if you are selling assets that will trigger a capital gain try and delay the contract until 1 July unless you have some capital losses that you are able to offset against.

### Make the marginal tax rates work for you

If you operate through a trust structure or have discretion around who to pay director's fees or bonuses to, look at the individual marginal tax rates or the use of entity rates where income could be appointed to a wholly owned company. With trusts, there might be an opportunity to appoint income to children or family members where no tax would arise.

### Key person or income protection insurance

If you've always meant to take out these insurance policies, now might be the time. Pay the annual premium before June 30 and take the deduction into this year.

## Your Super fund

### New rules for artwork & collectibles

New regulations guide what collectibles SMSFs can buy and sell, and how those collectibles are managed. *Assets acquired by the fund from 1 July 2011 need to immediately comply with new regulations.* Assets held by the fund at 30 June 2011 benefit from transitional rules that allow trustees until 1 July 2016 to comply.

The regulations seek to ensure that trustees do not gain a benefit from assets now. For example, you cannot hang artwork purchased by your SMSF on your wall at home (or in your office) or wear jewellery acquired by the fund.

### Deductibility of superannuation contributions

To claim a tax deduction for super contributions as an employer or as an individual, the payment needs to be **received** by the fund before 30 June. Merely incurring a liability will not work.

### Off market share transfers

Impending changes (from 1 July but are not yet law) will prevent trustees from using off market transfers to transfer shares into their SMSF. For example, if you personally own BHP shares and want to transfer them into your SMSF you could simply complete an off market share transfer to transfer them into the fund. However, the new rules will require you to sell your shares on the market, contribute the proceeds to your fund, then the fund will need to purchase the BHP shares.

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## Some of the simplest strategies can make a huge impact on your business

**The pressures of daily business can often mean strategic planning takes a back seat – but to have a successful business you must plan ahead**

Most businesses, once established, tend to grow steadily and organically until they become self-sustaining which, for many, is fine. Typically, a business that is ticking over provides an income and lifestyle to which its owners become accustomed.

**Imagine, though, the impact of implementing a new business strategy that improves or fast tracks results?**

This is exactly what happened when a Collins Hume client's new General Manager brought fresh eyes into the business, offering new ideas and insight regarding business management and growth.

Often, business owners don't know how to tap into the greater potential of their business unless fresh eyes make it apparent. In this case, the new GM of the business — a specialist environmental consultancy — moved to tighten up in-house bookkeeping and put the accounting budget towards strategic business advice.

Through a few exploratory discussions with Collins Hume, the business came to know about our strategic business advice. Once the bookkeeping was optimised to address their monthly reporting needs, the business was in a position to ask: 'what if?'. That's where Collins Hume stepped in with the tools and resources to assist.

We started with our Risk and Value Driver Assessment (RAVDA) – our independent valuation providing answers to the questions that need to be asked about the value of a business. This served as a great starting point, because the business was able to learn what drove profitability, improved cash flow and added value.

We then looked at benchmarking and company utilisation. For our client's industry, this translated as average billable rates, the latter increasing relative to the type of work involved, therefore improving business profitability. With the aim of the business being to grow the team by creating opportunities for new staff to join their talent pool, this analysis was invaluable as systems were implemented to make this happen.

We also looked at pricing and employing more people to allow the business to attract more work. The new GM said, "This process gave us the tools to consider both options to assess profitability scenarios. Our plan is to grow, which we can do by educating our younger team, retaining them and having a succession strategy.

Following the RAVDA, they attended Surf the Wave to Success in 2011. The Struggle or Success event consolidated their most recent benchmarking efforts: "We keep working at it and revise every six months to see how we're travelling to see if we're pushing up the capitalisation rate," said the GM



**Our work with our client is now an ongoing process**

The next 12 months sees further 'what-if' planning; the goal is to develop the business over ten years by increasing wealth and keeping the value growing so the older partners secede in time and give younger staff a career path.

"Some of the big things being targeted are cash flow – moving out the cash cycle – and tidying up our systems. Until then, it's good to have the support and advice from Collins Hume when you need it. They are extremely helpful; their new ideas shape our own ideas – simple ideas, which they help us to implement. We are really happy clients, which in no small part has been elevated by the work we did together at Surf the Wave to Success last year."

Collins Hume's Business Advisory team added, "Establish a strategic plan that looks at where you want your business to be in the next 3-5 years and exactly how you and your team can achieve these aims and objectives."

The first step in improving your business is knowing who can help you. Invest some time today to see us to discuss how we can assist you in improving your cash flow, increasing your profit and growing your business value.

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## Tax audit insurance specifically designed for clients with accountants

Covering our professional fees to assist your response to an official enquiry, review, investigation or audit of returns lodged with the Australian Tax Office or other Federal, State or Territory government authority, agency or body

The ATO has far-reaching resources that allow it to access vast pools of external, third-party data. After considerable recent investment, the ATO's systems are becoming more and more sophisticated. This means the ATO can use complex techniques to match their data with data from other institutions both in Australia and overseas, looking for discrepancies.

This is not just happening in tax matters, but also with land title offices, share registries, motor vehicle registers, Centrelink, family tax assistance offices, state revenue offices and even marine registries. The list is growing. As advances in technology increase ever more rapidly, the ATO's ability to find, analyse and match data is also increasing. The ATO is already targeting auction sites like eBay.

### What should taxpayers do?

- Have proper record keeping procedures particularly regarding cash transactions
- Keep detailed records on large transactions that are not taxable e.g. transfers from overseas or sale of the family home
- **Invest in audit insurance** to insure you against the cost of your accountants, tax agents and bookkeepers putting together a case to support your position
- Contact your accountant for a preventative review sooner rather than later

The cost of being properly represented in these matters can be quite considerable depending on the time involved. Individuals, Businesses and Self-Managed Superannuation Funds are at risk of being selected for a random audit or review.

Audit insurance provides a fixed, cost effective solution to guard against any unbudgeted costs. Collins Hume is able to offer this service to our clients in a few easy steps. For a full list of cover types and costs, go to [collinshume.com.au/audit\\_insurance](http://collinshume.com.au/audit_insurance) and click on **How much does it cost?**

*Our client recounts, "Not long after I bought Audit Insurance through Collins Hume I received an audit letter from Workers Comp – this was the second time in three years. The first time I was liable for only \$240. The second time, I completely handed the audit over to Collins Hume who made the process straightforward and pointed Workers Comp in the right direction. We arranged for all meetings to be held at Collins Hume's offices without my needing to be there – they presided over everything. My audit insurance covered Collins Hume's \$2,400 fee and I even ended up getting a cheque in the mail for \$840 from Workers Comp at the end of it! I'm a brickie who employs sub-contractors so I thought I'd be put through the ringer, but it turned out quite well for me."*



## Proper protection for audits, reviews and investigations

Collins Hume's Audit Protection Service cover is provided by Accountancy Insurance Pty Ltd and covers audits, reviews and investigations of the following:

- Income Tax
- GST and BAS
- Superannuation Guarantee
- PAYG Withholding
- Fringe Benefits Tax
- Payroll Tax
- Land Tax
- Stamp Duty
- Work Cover
- Self-Managed Superannuation Funds
- And many other lodged returns

Collins Hume says, "Audits are stressful and time consuming for business owners, especially with added pressure from the ATO or Work Cover. The great thing about audit insurance is that it covers your professional fees so that we can act on your behalf, not cost you any money and dramatically minimise the stress if dealing with auditors."

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## Collins Hume's International Business Development Conference in 2012

**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 Young Business Leader, undergo workshops to 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 conference notes and 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 an exclusive conference T-shirt, RLZ Cap and stubbie cooler, resort massage and two complimentary Bintangs each afternoon from the bar. The five-star service also includes three chef-prepared meals every day.

**For business owners and managers this trip 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](http://www.collinshume.com.au/services/events). For a preview of Resort Latitude Zero and the island visit [www.resortlatitudezero.com](http://www.resortlatitudezero.com).

**Places are limited and are sure to book up fast so, to avoid disappointment, contact Wendy Gleeson at [wendy.gleeson@collinshume.com.au](mailto:wendy.gleeson@collinshume.com.au) or Peter Fowler at [peter.fowler@collinshume.com.au](mailto:peter.fowler@collinshume.com.au), or phone us on 02 6686 3000 as soon as possible.**

*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.*

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## A winner in our top reasons to 'Like' or 'Follow' us competition

**Businesses always ask us to follow them, but do they ever reward you for your interest?**

Thanks for your support and interest in our most recent competition.

We are delighted to announce that Richard and Wendy Beckers of Ballina Surf are the winners and lucky recipients of an iPad 2.0.

At the news Wendy said, "Thank you so much. We're just a *little* excited! When can we pick it up?"

**Like or follow Collins Hume at any time to keep up to date with our news, information and events! We enjoy being part of our online community and fully appreciate your support.**



## WHS seminar

We'll be hoping to run a WHS Workshop for our small business clients in Collins Hume's Ballina office in July.

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 join us.



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