



MBS TEAM FROM LEFT: RIKEELI, RENEE, KINGSLEY, STACEY, PAUL, PAULA, ADAM, KATE, SALLY, PEPI

SOLUTIONS NEWS 2013

You would be forgiven for thinking that we have got our dates wrong, for it certainly couldn't be time for me to give you yet another riveting account for the year that has been. Yet here we are in June once more already considering the effects of the budget, our pending tax liabilities and the fast approaching election.

At the risk of sounding like a broken record, the budget was once again a bit of a non-event with anything of consequence announced to the public a couple weeks before hand. I won't go into the specifics as our monthly newsletter highlights the key points (downloadable from our website). They spout that it is no longer important that we are to aim for a surplus position, but I personally can't find any good reason that we should be spending more than we earn – As we would all be aware, spending beyond your means never results in a good long term position anyway you look at it. I can only assume that they are hoping that they will look like the heroes for the money they are giving away when compared to any other government that will need to reign in excessive spending.

Logic would now suggest that the government will now need to fund it's excessive spending and I'm afraid that by throwing more money at the ATO audit department they will be coming at small business with a very big stick. The avenues they have open to them with the increased budget includes:

- **Data matching** - We have spoken with some of you about the fact that the ATO is slowly being linked in with the other government departments (eg. Family Assistance Office and the motor registrars department) to enable them to "data match". Historically the various departments were not able to link the information from their respective databases; Even the ATO had 3 internal computer systems that didn't speak to each other until last year. With this new and ever evolving power, they can now cross check things like motor vehicle purchases, which throws up all sorts of audit potentials such as: Does the value of the car correlate to the income being reported? Has the business registered for FBT? Is there a Division 7A issue where a company vehicle is being made available for private use?
- **Benchmarking** - Over the past few years the ATO have been steadily recording various ratios (Sales vs Purchases vs wages) for different business types and standardising them for comparing you with other people in the same industry. If you fall outside of the benchmarks, you could be flagged for audit and stung with potential GST and tax shortfalls where you can't prove that you are legitimately outside of the standard. A prime example is a small florist in Perth who was hit with a further \$74k in tax and GST, simply because their records were not adequate to prove their position. Having well maintained records going forward will become increasingly important if only to protect yourself from this sort of outcome.
- **ATO taskforce for targeting the misuse of trusts** - This is largely an unknown at this point, but you can be sure that while they're aiming for the big end of town where convoluted structures of trusts are being used to evade tax, they will pick on the smaller family structures as there is unlikely to be sufficient resources to defend this complicated side of the law. If only they would take some more of the Henry Reviews recommendations and acknowledge that trusts are used for balancing income between income earners in a family unit, which is a fair and legitimate strategy and as such allow this to happen without the burden and complication of operating through trusts. Hopefully eventually common sense will prevail.

Enough about the budget though, for there are more positive things to dwell upon.

It goes without saying that we value our staff and their input immensely, for they are the back bone of what makes our business possible whilst giving Paula and myself some freedom to spend with our boys as they very quickly grow up. We had Sally hit a key milestone a couple months ago passing into the ever mature 30s, whilst Pepi secured her Australian Citizenship which was formalised on Australia Day this year, which was much cause for celebration. We even let her out of our sights for a little while to go back and visit her friends and family in China. We also managed to escape the country for a little while last year with Paula starring as the Maid of Honour in her best friends wedding in Las Vegas. It was an amazing adventure, even more so with a brief interlude at Disneyland along the way. You couldn't have two locations so morally and ethically diametrically opposed!

MBS continues to see change in all manner of areas as we seek to improve ourselves and our services to you. The kinds of things we're diving into of late with the view to guiding and assisting you and our efficiencies includes such initiatives as:

- **Our monthly newsletter** in partnership with Tax Payers Australia (initiated last year) continues to provide pertinent yet simple to read information for both individuals and small business. Make sure you jump onto our website and subscribe if you haven't already.
- **SMSF Strategies** regular newsletters and videos with a bent towards super. This will be due to start in the coming months, so if you have a superfund or are interested in starting one some day, this will be an invaluable information source for you in the future.
- **SMSF administration:** You can expect a letter from us as we do away with the ever faithful Banklink as the provider of our superfund bank data. With our software now evolving, we will be able to import bank transaction data directly into our superfund software.
- **Cloud Accounting Solutions:** There is a multitude of options out there, but we've elected to go with MYOB LiveAccounts for those clients that are interested. The ability to receive a data feed from the bank, our ability to log in at any time and the confidence that you know your accounting data is always being backed up are all key benefits to such a change. If you would like to couple this with some advice on how you could potentially head down the paperless route, don't hesitate to contact us for some direction.

As always, we welcome your feedback and suggestions, so please feel free to touch base with myself or Paula should you have any ideas about how we can better assist you. We don't profess to be perfect, but we do pride ourselves on listening carefully to your needs whilst looking for opportunities unique to you. We are ever excited about what the new year holds in store for us and look forward to meeting and working closely with you. Here's to hoping that the rains come in time and that the Australian public grows in confidence and in doing so bolsters our small business community.

Best wishes for the new (financial) year!

Paul & Paula Murray

Accountants & Business Consultants

THE HARDEST THING TO UNDERSTAND IN THE WORLD IS THE INCOME TAX

ALBERT EINSTEIN

BUILDING & CONSTRUCTION INDUSTRY

If you're in the building and construction industry, you will have likely already heard about your new requirement to lodge a "Taxable Payments Annual Report", the first of which will need to be lodged soon after June 30 this year. The ATO suggests that they will then use this information to cross check that the applicable contractors are reporting all of their income in their tax returns each year. But I would suggest that they will also use it as a tool to potentially penalise builders who are incorrectly treating employees as contractors, thereby dodging their SG / Workcover obligations. If you are at all worried that some of your contractors may in fact be considered an employee, touch base with us and we can direct you to some resources that will soon help clear it up for you. It is a costly mistake you can't afford to make.

For further details, it's worth giving the following websites a skim:

Taxable Payments Reporting

www.ato.gov.au/content/00313486.htm

Employee v's Contractor

www.ato.gov.au/employeecontractoressentials -

POINTS OF NOTE FOR THE NEW FINANCIAL YEAR

Every year there is a multitude of changes that one must factor in to your day to day. Some highlights that we believe you need to keep your eye on includes

- Don't forget to update your payroll software from July 1, as you the Super Guarantee rate increases from 9% to 9.25% for the 2013/14 year. Don't forget also, that any super contributions above the mandatory SG rate, should be reported in your PAYG Payment Summaries at year end as a "Reportable Employer Super Contribution" (RESG).
- Going forward we must include your personal bank details in your individual tax returns, as the ATO will no longer be issuing cheques for any tax refunds. So when you return your 2013 tax information, don't forget to fill in the bank account details section.
- If you've got Private Health Cover, even if you have "family cover", don't forget to add any new babies as of their date of birth to your cover, otherwise you won't qualify for the applicable tax offset since all of your dependents aren't covered under the policy. As a double check, make sure to provide the back page to your Annual Health Cover summary that you normally provide with your tax gear, since this usually identifies who is covered and for the period for which they're covered.
- As raised in our Tax Planning email, the ATO is using its data matching powers to see if there are any easy targets for an FBT audit. So give some thought as to the types of benefits you provide to your employees (including yourself) and let us know if you would like us to complete a review of your potential FBT liabilities and how best to address this convoluted tax.

PPSA AND YOU

What is the PPSA? The PPSA (Personal Property Security Act) is a national regime that came into effect as of January 31, 2012. In theory it simplifies personal property ownership by establishing a framework to provide legal certainty for all parties transacting in personal property (excluding land and fixtures), where previously these were administered under many different acts throughout each state. Some examples of assets potentially effected by the PPSA include:

- Inventory
- Office Equipment
- Crops and Livestock
- Motor Vehicles & Machinery
- Art
- Intellectual Property
- Contract Rights and Licences

A practical example of how far reaching this new act is includes as follows. Imagine that you are a contractor harvesting crops on behalf of a customer and you leave your plant on their property whilst perhaps waiting for some weather to clear. Should they go bankrupt in the mean time, the trustee in bankruptcy would have the right to take the plant and sell it in satisfaction of their debt, despite the fact that they don't own it - ie. It's not enough anymore to have legal ownership of an asset. The scenario over simplifies things, but none the less demonstrates how dangerous it can be.

Whilst we're not experts on the PPSA, we can direct you to a number of resources that can assist in you in protecting your assets.

+ ANNUAL CHECK-UP

We always take this opportunity to flag a few items that you should at least give some thought to on an annual basis. It's easy for these matters to be overlooked given how busy our respective lives are, but the ramifications for not having these documents in place can be devastating. As we mentioned last year, time seems to move faster every year and it is easy to overlook the very important documents, that in a time of crisis can be critical. Please take the time to check that your important documents are current and in a safe location.

- Wills and guardianship
- Power of Attorney (Enduring & Medical)
- Life Insurance
- Insurance - income protection, trauma cover, total & permanent disability
- Binding Death Benefit Nomination or a SMSF will in your Superfund
- Private Health Cover

For any further details or an explanation of the above and how they impact on your financial situation, please do not hesitate to contact our office.