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" Always bear in mind that your own resolution to success is more important than any other one thing." Abraham Lincoln

SMALL BUSINESS ECONOMIC SUM- MARY

By Rod Western

It is my opinion that the last two years have been the hardest for small to medium businesses in my professional lifetime. During the last major recession in 1990 my biggest problem was running out of cashed up betting partners for our nightly game of black jack.

The world is a changing place and to be able to adapt is the key, business people need to be aware of the changes taking place in the global economies and the way business is carried out. Here are my observations and thoughts:

In addition to more stringent lending requirements, banks have lost ground as people's property portfolios have lost value. In general this takes cash out of the economy because banks won't lend money as easily and also peoples borrowing power has been eroded.

The ATO has upped their pressures significantly on any late payments. Where in the past they have let things go out quite easily, there has definitely been a shift towards speedy collections and increased willingness to put companies into liquidation.

It's no secret that retail in general is struggling. This is in part due to the internet shopping movement. This will also, I believe, have a flow on effect for the value of certain commercial properties.

Well that's the bad news.....

The good news is that the Western Australian economy has remained steady because of the resources boom. This will continue and from now on the worst is definitely behind us.

The key to survival in the future is adaptation. In the coming 5-10 years there will be significant opportunities to generate super profits like we were seeing 7-10 years ago. But what worked then won't necessarily work now. Cobb & Co went out of business when the motor car replaced the horse; however 3M switched from making typewriters to computer products and still survive and prosper today.

Strategic planning is the key to surviving and prospering in any business – or another way of putting it is 'thinking long term', which is difficult to do when you are so busy 'micro-managing' day to day business tasks. Now is the time to plan for the good times ahead – I firmly believe we have seen the bottom. In fact I believe it was just last month!

Good luck for the future to all Globe BD clients and friends!

2011-12 BUDGET – SOME TAX CHANGES

Accelerated initial deduction for motor vehicles

Small businesses can claim up to \$5,000 as an immediate deduction for motor vehicles. The remainder of the motor vehicle value will be pooled in the general small business pool (depreciated at 15 percent in the first year and then 30 percent). This measure has effect for vehicles acquired from the 2012-13 income year.

PAYG instalment taxpayers – reduction in the GDP adjustment factor

Reduce the GDP adjustment factor for PAYG instalment taxpayers who use the GDP adjustment method, from 8 percent (which is the rate that would apply for the 2011-12 income year under the current law) to 4 percent for the 2011-12 income year.

Reporting taxable payments to contractors

Requirement for certain businesses to report annually on payments made to contractors in the building and construction industry, with effect from 1 July 2012. Consult publicly on options to introduce a similar reporting regime for payments to contractors in the commercial cleaning industry.

Discretionary Trusts - Removing minors' eligibility for low income tax offset on unearned income

The Government will remove the ability of minors (children under 18 years of age) to access the low income tax offset (LITO) to reduce tax payable on their unearned income, such as dividends, interest, rent, royalties and other income from property. Income earned by minors from work will still be eligible for the full benefit of the LITO. Unearned income of minors who are orphans or disabled, as well as compensation payments and inheritances received by minors will not be affected by this measure. This measure will have effect from 1 July 2011. The effect of this will be a reduction in Trust Distributions to Children/Minors. ■

WHAT IS THE FLOOD LEVY?

The government has introduced a Temporary Flood and Cyclone Reconstruction Levy (flood levy) applying to income for the 2011-12 year only. It is designed to assist affected communities recover from the recent floods by providing additional funding to rebuild essential infrastructure. For example, the rebuilding of roads, bridges and schools.

! The flood levy will only apply from 1 July 2011 to 30 June 2012.

Who will have to pay the flood levy?

Individual taxpayers, both residents and non-residents, who have a taxable income over \$50,000 in the 2011-12 financial year will have to pay the flood levy.

If you earn salary and wages (pay as you go withholding system), the flood levy will automatically be included in the tax taken out of your salary and wages by your employer.

If you pay instalments towards your expected tax liability, the flood levy will automatically be included in your instalment rate. For example, this includes self-employed and investors, or self-funded retirees (pay as you go system).

You are exempt from the flood levy if you have been affected by a natural disaster.

! If you are exempt, there are ways of stopping the levy being deducted from your income.

How much will you pay and how?

Taxable income	flood levy on this income
\$0 to \$50,000	Nil
\$50,001 to \$100,000	Half a cent for each \$1 over \$50,000
Over \$100,000	\$250 plus 1c for each \$1 over \$100,000

WARNING: TAX SCAM

Please be advised that from time to time you might receive emails from the ATO asking for bank account details or to provide other information. More often than not these are scams. There are many different types of scams - online, phone, mail and face-to-face. Online scams, such as email 'phishing' scams are on the rise and are designed to trick you into giving away your money, passwords and personal details (such as your tax file number - TFN).

The ATO will never send you an email requesting you to confirm, update or disclose confidential details like your name, date of birth, address, passwords, credit card details etc. ■

SMSF – NEW RULES

The new rules for self-managed superannuation funds (SMSFs) investing in collectables and personal-use assets have been revealed by the Government.

The Minister for Financial Services and Superannuation, Bill Shorten, has released draft regulations outlining tightening rules around how collectables are stored and valued. Changes include new rules prohibiting the leasing of assets to related parties, the use of assets by related parties or the storage of collectables in the private residences of related parties. There must also be a written record of the reason for the storage of an item in a particular location, which must be kept for at least 10 years. Items must also be insured in a fund's name within a week of acquiring the item, while the transfer of assets to a related party now requires independent valuation.

The rules are set to commence on 1 July 2011 for all new assets, with a transitional period applying to existing assets in place until 1 July 2016.

"The new rules will ensure that these investments are genuinely made for retirement income purposes and not for trustees' personal enjoyment," Shorten said.

Written submissions on the draft regulations close on 14 June, 2011. ■

3 WAY FORECASTING FOR GLOBE BD CLIENTS

Globe BD is pleased to be able to offer their clients

"3 Way Forecasting"



Basically this is a 12 month or longer projection of your:

- Cash flow movements
- Profit and Loss
- Balance Sheet position

Why should you have this?

- 90% of the time banks are asking for "3 way forecasts" for any new lend.
- All of the banks ask for up to date financial information.
- If you are on the front foot and provide one before you are asked – the chances of getting the help you need will be vastly improved.
- In addition to this, 3 way forecasts can be used as an important tool in the planning, development and financial controls for your business.

CONTACT A GLOBE BD ACCOUNTANT FOR A QUOTE TODAY. ■

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