

## InfoConnect

### Electronic Tax Newsletter from Aspiron Consulting Group 2009 July Edition

Welcome to this edition of InfoConnect, the newsletter from the Aspiron Consulting Group.

In this edition, we have added a segment about the latest news from our practice, followed by our usual discussion of topical tax and business issues, as follows:

- ◆ **Key Changes to Super Reporting and Income Test**
- ◆ **Business Tax Break—Hire Purchase & Luxury Car Leases**
- ◆ **Cases—Rental Property expenses disallowed**
- ◆ **Looking For Ways to Boost Your Cash flow?**

#### Practice News (New!)

We proudly introduce to you Zillay Batool of Batool Consulting. Zillay joined the Aspiron Consulting Group as an Independent Associate since March 2009

Zillay holds a Master of Business Administration from the University of Melbourne and has worked with many small/medium businesses in the past few years in improving their operational effectiveness such as cash flow management, general accounting support, complex financial modelling and analyses.

If you have any queries about how to better manage the cash flow of your business, or if you require assistance in accounting support or financial modelling, please feel free to contact Zillay. Also, don't miss Zillay's tips in this edition of InfoConnect on how to boost your business' cash flow.



#### Key Changes to Superannuation Reporting & Income Test

As mentioned in our last newsletter, certain superannuation contributions made after 1 July 2009 are now reportable in an employee's PAYG Summary. Further, reportable super contributions are now included in the various income tests used by the Tax Office and other Government agencies (eg Centrelink) when assessing the entitlement to government benefits and obligations.

Generally speaking, from 1 July 2009, superannuation contributions made by an employer on behalf of an employee will need to be included in his/her PAYG Summary if **both** of the following criteria are met:

- your employee **influenced** the rate or amount of superannuation the employer contribute for them; and
- the contributions are **in addition to** the compulsory contributions the employer must make under a superannuation guarantee law, an industrial agreement, the trust deed/governing rules of a super fund, or a federal, state or territory law.

This would cover situations where an employee chooses to sacrifice his/her salary into a superannuation fund. In addition, care must be taken for owners/directors of a company where they have the capacity to determine how much super the company contributes into their super funds.

Further, if you are self-employed as a sole trader, then the deductible super contributions you made into your own superannuation fund will also need to be disclosed in your own individual tax return.

#### ASPIRON CONSULTING GROUP

##### Professionals Who Get Your Jobs Done

Suite 516, Level 5  
100 Victoria Parade  
EAST MELBOURNE VIC 3002  
www.aspiron.com.au

Phone: (03) 9663 9639  
Fax: (03) 9663 9657  
E-mail: enquires@aspiron.com.au

Most accounting software (eg MYOB, Quickbooks etc) have included new modules to assist capturing and reporting reportable superannuation contributions. If you use any of these software to manage your PAYG reporting, please contact your software provider or bookkeeper to ensure the new functionality is correctly enabled.

### **Business Tax Break—Hire Purchase & Luxury Car Leases**

As mentioned in the 2009-01 edition of InfoConnect, additional tax deduction of up to 50% is available to Small Businesses on certain investments in eligible, tangible depreciating assets. One of the criteria is that the Small Business entity must commit to investing in the asset between 13 December 2008 and 31 December 2009 (if your business is not a Small Business you are still entitled to an additional 10% deduction for investments made after 30 June 2009).

Many Small Businesses prefer to finance their investments using Hire Purchase arrangement (“HP”) or luxury car lease. The Taxation Office has clarified that the timing of the investment for a HP or luxury car lease arrangement is the date the HP or lease was entered into and not the date when the goods were ordered from the supplier. This is because, under the tax law, where an asset is purchased under a HP or luxury car lease, the contract under which you hold the asset is the date you enter into the HP arrangement or luxury car lease, rather than when the order contract was placed with the supplier.

This is particularly important if there is a longer lead time between the date you order the new asset (eg a car) and when the HP/luxury car lease arrangement is entered into, or if you are negotiating the financing of the asset separately from a finance provider. If you are a Small Business, regardless of when you make an order contract with the supplier for a new asset, if you finance the purchase with a HP arrangement or a luxury car lease and enter into the arrangement or lease after 31 December 2009, you will not be entitled to the additional deduction.

A side point, if your business is purchasing a luxury car, the amount of additional deduction you can claim is up to 50% of the luxury car limit (\$57,180 for both the 2008/09 and 2009/10 income years).

### **Cases—Rental Property Expenses Disallowed**

Some taxpayers may assume that expenses incurred in relation to a residential property purchased as a rental investment would automatically be allowed as a deduction. The AAT, has in a recent case (*Bonaccordo v FCT*), affirmed the Commissioner’s decision to disallow a claim by the taxpayer of rental property expenditure.

In this case, Mr Bonaccordo claimed a deduction for interest and rental expenses incurred in respect of premises he purchased in Quakers Hill, Northwest of Sydney for the 2005, 2006 and 2007 income years.

For a variety of reasons, no income was ever derived from renting the premises in the years in question or at all. The premises were never listed with a real estate agent, nor were any advertisements made by a real estate agent or the taxpayer. The only objective and overt act taken by Mr Bonaccordo was to place a sign in front of the property. The taxpayer took no other significant steps to advertise the property. Except for the continued residence of the aged vendor for several months after the sale, the property remained vacant for the entirety of the period under review.

In disallowing a deduction for the expenditure made by the taxpayer, the AAT did not consider that Mr Bonaccordo took sufficient efforts to indicate that the property was available for rent and accordingly it was not persuaded that any of the expenditure was to produce income for him.

It would appear from this case that the connection between an expenditure and the generation of income must clearly be demonstrated for a deduction to be justified. While it is not a requirement that the income must be derived in the same year in which the expenditure was incurred, action taken by a taxpayer in attempting to generate a income is a critical factor to support its deductibility.

**If you have any queries on the issues contained in this edition of InfoConnect, or how a specific tax measure may apply to you, please contact your advisor at Aspiron Consulting Group**

**Phone: (03) 9663 9639**

**Fax: (03) 9663 9657**

**Email: [enquires@aspiron.com.au](mailto:enquires@aspiron.com.au)**

### Looking for ways to boost your cash flow? - By Zillay Batool MBA

As a small business consultant, I am often asked about the secrets of businesses ensuring sufficient cash flow. Listed below are some of the recommendations I sometimes make to my cash-strapped small business clients:

#### 1. Shoeboxes are for shoes, not for business records

You will never have a successful business if you don't systematically track your income and expenses, who owes you money, and who you owe money to. This is absolutely crucial. You don't have to have a big expensive computerized system, although a computer program like QuickBooks and MYOB certainly does a beautiful job.

You can keep track of everything with a pencil and paper if you like. But, you've got to track basic information in a systematic manner. Without this vital information your business cannot flourish and your cash flow will always keep you up at night.

#### 2. Getting your customers to "show you the money"

The best way to get your customers to pay what is owed is to remove every possible excuse for non-payment. Don't extend credit unless it's absolutely necessary. Establish credit policies to help determine who will get credit. Get an invoice into the bill payer's hand as quickly as possible after the work is done or the product is delivered. Don't be afraid to send a letter or statement or make a phone call reminding your customer their bill is due. Never be rude. Always be firm. Focus on preserving the relationship. If a customer has a legitimate gripe about your business, do whatever you can to fix the problem.

#### 3. Budgets are our friends

A budget is a plan. It helps you stay focused on what you need to achieve. For example, you can use your budget to help achieve sales goals, determine how much you need to spend on advertising, how much you'll need for materials, and if you can afford to pay overtime. Having a budget for your business is the difference between piloting a plane with instruments or flying blind in a fog.

#### 4. A customer in the hand is worth two in the bush

While it is important not to rely too much on one customer but it is also true that loyal customers are like money in the bank, they're easier to work with, and it's less expensive to keep them happy than it is to find new customers. In a long term your first customer is worth tens of thousands of dollars and sometimes even more as they refer business to you regularly.

You can build a successful business around a small number of customers by providing them with excellent customer care and a range of effective solutions.

#### 5. The most powerful number

If you know only one number in your business it ought to be your Breakeven Point.

Why is it such a critical number? First of all, to find your breakeven point you need to know what all of your expenses are. How much does it cost you to produce your product or deliver your service? That includes how much you need to pay yourself. If your business isn't able to support you, you're not breaking even.

Once you have your total expenses, you have a place to start. What do you need to do to achieve a level of sales high enough to cover your expenses? How many customers do you need to serve? How many products do you need to sell? If you can't reach that income level, what can you do to cut your expenses?

If you have any queries on the issues contained in this edition of InfoConnect or how a specific tax measure may apply to you, please contact your advisor at Aspiron Consulting Group

Phone: (03) 9663 9639

Fax: (03) 9663 9657

Email: [enquires@aspiron.com.au](mailto:enquires@aspiron.com.au)

Your whole business plan can flow from that one number. You can use your break even point as a powerful business tool to make decisions about marketing, strategy, plans for expansion, hiring a new employee, etc.

**6. Improve your cash flow from the other side**

When you make a reminder phone call to your customer, more likely than not you will speak to accounts payable staff. If you treat him/her with respect and dignity, most likely your cheques will be moved out of their door.

Take the time to get to know the people who process the cheques. Don't be afraid to build bridges and establish relationships. You meet lots of interesting people and your cash flow will improve. You just never know.

**About Zillay**

Zillay Batool, MBA, is the owner of Batool Consulting. Zillay specialises in Cash Flow Management for small and medium size enterprises.

*For professional advice and development of cash flow model, contact Zillay Batool of Batool Consulting on 03 9663 9639. Zillay Batool has speciality in managing cash flow for small and medium size enterprises.*

If you have any queries on the issues contained in this edition of InfoConnect, or how a specific tax measure may apply to you, please contact your advisor at Aspiron Consulting Group

Phone: (03) 9663 9639

Fax: (03) 9663 9657

Email: [enquires@aspiron.com.au](mailto:enquires@aspiron.com.au)

**Disclaimer**

(c) 2009 Aspiron Consulting Group. All rights reserved.

The information in this publication is provided for general guidance on matters of interest only. It should not be used as a substitute for consultation with professional accounting, tax, legal or other advisers

This document is not intended or prepared by Aspiron Consulting Group to be used, and cannot be used, for the purpose of avoiding tax penalties that may be imposed on the taxpayer.

Before making any decisions or taking any action, you should consult with Aspiron Consulting Group. No warranty is given to the correctness of the information contained in this publication and no liability is accepted by the firm for any statement, opinion, or for any error or omission.

## How we are different

We believe that our **7 Points of Difference** below set us apart from our competitors:

1. **One dedicated professional** as your advisor and point of contact
2. We prefer to **agree our fees up front**, where possible, and as such you always know how much you are paying - **no surprises**
3. **Independent sounding board** for business decisions, without turning on the fee meter
4. We guarantee a **maximum initial response time of 36 hours** if we miss your call
5. We believe in a **simple and no-nonsense approach** on our advice. We aim at structuring our advice in **simple language** that you can understand
6. We take a **honest approach** in providing advice - we have the courage to tell you things you don't want to hear
7. Like many of our clients, we are also a small business and as such **we understand the challenges our clients are facing**. However, we have worked with some of the largest organisations in Australia to know the key issues that our clients are likely to face as they grow.

## How our clients benefit

We deliver results. Some of the benefits we have recently delivered to businesses from our expertise include:

- **Fast tracked** capital allowance and tax depreciation claim by **more than \$250,000** after a review of their fixed assets register.
- Developed a **tax risk management framework** for a Fortune 500 company
- **Identified financial & well-being issues** of potential business acquisitions.
- Project managed risk reviews by the **Australian Taxation Office** ("ATO").
- Successfully negotiated a remission of **significant penalties** imposed by the ATO.
- Assessed, designed and implemented changes to a finance function that had **double throughput** and reduced running cost in excess of 30%.
- Brought a client up to date with **internal control reporting** from being 2 years behind schedule.

## Taxation & Management Consulting Services

We offer capability and experiences for taxation and business services across the following disciplines:

- **Corporate Taxation Consulting**— beyond preparing tax returns, we proactively engage our clients to deliver effective taxation strategies before it gets too late.
- **Business structuring**—helping our clients set up tax effective structures to carry on their businesses.
- **Tax Risk Management**—we help our clients identify key tax risks, opportunities and issues and manage them real time.
- **Business Health Checks**—we help our clients undertake a reality check on the emerging issues arising from their businesses or a potential acquisition.
- **Change Management** — designing and implementing strategies on maximising buy-ins and minimising resistant for major change initiatives.
- **Finance Process Improvement** —we help our clients improve the process of their finance functions by aligning the corporate strategies with departmental directions and integrating their processes with people and technology to deliver maximum results.
- **Complex Financial Modeling & Forecasts** —we assist our clients analyse and review complex finance projection, modeling, "what-if" sensitivity analysis to ensure profitability, effective management and control of their business.
- **Business Valuation** —we help our clients undertake internal valuation including reviewing asset impairment and valuation of private business for purchase or sale.

## Our Money Back Guarantee\*

We deliver results.

If, at the end of a consultation, we have not told you anything new, or clarified your doubts or queries, we will not charge you for our time.

\* Refer to our Standard Terms & Conditions for detail