

Matthew Tol & Associates
24 Doveton Street Nth,
BALLARAT VIC 3000
ph:03 5333 3799
fax:03 5333 3900
www.mt.com.au



Profit Builder

December 2008

Times Are A Changing

What an interesting year 2008 has been! We've had all sorts of issues crop up domestically and globally and it all seemed to come about after the Olympics finished in Beijing.

It is very interesting to note that the vast majority of our customers have yet to experience any noticeable impact from the well publicised recession. Speaking with our colleagues, it is apparent that whilst the press is building it up, there is not quite the impact out there in SME land that people think there is. (Yet)

You will see in this newsletter that Daina and Andrew recently welcomed little Jenna in to the world. We also have Felicity and Craig looking forward to impending arrival of their first child in January.

Most of you will probably know by now but we've recently appointed Tim McFarlane as our General Manager. Tim comes from a senior Private Banking background with HSBC in Melbourne and he, Kylie and Charlotte are enjoying the less hectic lifestyle of Ballarat.

As we move in to the New Year, there will be some changes for our business – we have recently appointed a new Graduate who will start with us in January. We're also changing the name of the business early in the new year – more on that later! We have also recently acquired some very powerful business modeling and analysis software which we will be demonstrating to you at some stage in 2009 – this allows you to take greater control over your business and establish some very precise goals then allow you to monitor your performance against them! It is an exceptional package and we look forward to showing you what it can do for your business.

One issue which we finally have some clarity on is the matter of borrowing through superannuation funds. We've now sourced a product and strategy that deals with the matters which were of concern to us. If you would like to take advantage of the opportunities which this creates, please do not hesitate to contact us. Whilst we are not financial advisers or planners, we see the economy as providing some terrific opportunities in the coming 12 or so months to get in to the property market at very reasonable prices – there is significant pressure on property values at the moment and for quality borrowers there is still plenty of money around (at very reasonable rates too we must add!) The current investment environment could just give you the opportunity to acquire high quality assets at realistic values and allow you to enjoy the rise that will inevitably happen – borrowing through your super fund is a very powerful lever via which you can maximise your returns longer term. As stated, please contact our office to discuss this in further detail should you wish.

On a final note, we'd like to thank you for your business this past year – it has been an interesting one! All of us here wish you and yours a safe and peaceful festive season and we look forward to working with you in 2009.

Merry Christmas!

Inside this issue:

- Times Are A Changing
- Changes to Baby Bonus from 1st Jan 09'
- Borrowing through your Super Fund
- Christmas Parties & FBT
- Getting Tough In a Tough Economy
- About our Consulting Service
- Staff Profile
- Operating hours over the Xmas Period
- Contact Us

Changes to Baby Bonus from 1 January 2009

Family Income Test

Baby Bonus is a payment that assists families with the cost of a new child and is indexed annually on 1 July, in line with other family payments. Currently this payment is not income-tested. From 1 January 2009 a family income test will apply to the Baby Bonus. For children who are born or who enter care on or after 1 January 2009, the income test will limit eligibility to families with an Adjusted Taxable Income (ATI) of \$75,000 (indexed) or less in the six months following the birth or entry into care of the child.

Components of Adjusted Taxable Income (ATI)

If you receive the following types of income in the six-month period following the birth of the child or the child's entry into care, you will need to include this income in your estimate of income for that period:

- Taxable income - this is your gross income less allowable deductions (if you receive/received a taxable government pension or benefit you will need to include this amount in your taxable income estimate); and
- Employer provided or reportable fringe benefits; and
- The value of net rental property losses/gain; and
- The value of any tax free pensions or benefits; and
- Any foreign income which is exempt under Section 23AF or 23AG of the Income Tax Assessment Act, LESS
- The full amount of any child support you and/or your partner pay.

Claiming

To claim the Baby Bonus, you need to advise the Family Assistance Office (FAO) of your estimated ATI for the six-month period after the birth of your child or the child's entry into your care.

You may be asked for evidence of your estimate at the point of claim. Evidence such as payslips, a statement of leave arrangements/entitlements, a letter from an employer on letterhead or a recent tax return may be required. If you are already receiving payments such as Family Tax Benefit (FTB), you may have your estimate checked against existing information, such as your FTB estimate or income support information.

Another change that will apply from 1 January 2009 is that claimants of Baby Bonus will have 52 weeks to lodge a claim from the date of birth of the child or, in the case of adoptions, from the child's entry into your care.

The extension of the claim period from 26 weeks to 52 weeks will provide time to determine a reasonable income estimate or the opportunity to determine your actual income for the six months following the birth of your child, or the child's entry into your care. The extended claim period will ensure parents/carers who are uncertain about their income have ample time to test or re-test their eligibility. For example, if you lodged an estimate of income shortly after the child's birth for more than \$75,000 over the 6 month period after the birth and your income turned out to be less than you estimated, you could reapply at a later time in the 52 week claim period.

Installment Payments and period of care requirements

Another change relates to the manner in which Baby Bonus is paid. Currently, Baby Bonus is usually paid as a lump sum. For children who are born or who enter care from 1 January 2009, families will be paid their Baby Bonus in 13 equal fortnightly installments, paid from the date the claim is granted. This will assist parents/carers with the ongoing costs of a new child over a six-month period.

Eligibility for Baby Bonus will also be based on the period of time the child is in your care within the first 26 weeks from the birth of the child, or from the child's entry into your care in cases of adoption. Where care has changed during the 26 week period and you are eligible for a portion of the Baby Bonus based on the period the child was in your care, you will receive the Baby Bonus in fewer than 13 installments.

Another change to note is that for a non-parent carer to be eligible for Baby Bonus, you must have taken care of the child within 26 weeks from birth and be likely to continue to have the care of the child for no less than 26 weeks. This has changed from 13 weeks and applies to children who enter care from 1 January 2009.

Adoption

Currently, adoptive parents are able to claim Baby Bonus for children adopted up to the age of two. From 1 January 2009, eligibility for the Baby Bonus will be extended to parents who adopt children under 16 years of age. This will apply to children who enter your care on or after 1 January 2009. Increasing the upper age limit of the Baby Bonus for adoptive children will assist parents with the cost of adopting a child and recognise that, as with a newborn child, an adoptive parent may need to spend time out of the workforce to welcome and settle their child. This policy change also recognises that a significant number of adopted children are aged over two years when they enter the care of their adoptive parents.

Borrowing through your Super Fund

If you have a self managed superannuation fund(SMSF) you may have heard about recent legislative amendments that allow superannuation funds to borrow in certain circumstances. This is not for everyone but in certain situations can be a very effective planning option and may provide your fund with much greater flexibility than was previously available.

Historically superannuation funds have been able to borrow limited amounts, for limited purposes and for limited timeframes (e.g., up to 90 days in order to pay out a beneficiary). New legislation, S67(4A) – instalment warrant arrangements, now extend the borrowing capability of a superannuation fund. While the legislation is titled instalment warrant arrangements, it is not limited to this form of borrowing. Providing the borrowing follows the requirements of the legislation then borrowing is permissible.

The key requirements of the borrowing are that:

- it is applied to the acquisition of an asset
- the fund must be permitted to acquire the asset
- the fund has the right to acquire legal ownership of the asset by making one or more payments
- the asset must be held on trust
- the fund must have a beneficial interest in the asset
- the loan is limited in recourse to the asset only
- the asset would not be an in house asset

A common example of where these provisions could prove beneficial is for the acquisition of commercial premises by a superannuation fund. The legislation requirements though are quite specific and the devil is in the detail. This type of arrangement will require a trust deed to be drawn and the borrowings will need to comply with all aspects of the legislation. The limited recourse requirement means that any borrowing can only be secured against the asset being acquired. It cannot be secured against other assets of the fund. At this stage, only a limited number of financiers have loan products which satisfy these requirements.

Because of the requirements, these arrangements require time and planning. There are also a number of costs involved which means that in some cases it may not be a viable proposition. If you think you might be able to take advantage of these new provisions it is a good idea to talk to us as soon as possible. We need to ensure that what you are looking to do is permissible under the legislation and then that there is a real benefit for you and your superannuation fund.

Christmas Parties and other Festive Season Benefits – FBT and Income Tax implications

With Christmas less than two weeks away, most businesses will have already conducted an annual Christmas party. Now is an important time to consider the tax issues involved in providing a Christmas party and gifts to employees.

Christmas parties

Employers can choose one of two methods in determining the tax consequences of providing a Christmas party, they are the actual method and the 50/50 method.

Actual method

Under the actual method the general Fringe Benefits Tax (FBT) and income tax consequences are briefly as follows:

Christmas party of employer's premises

- If food and drink is provided for current employees on a working day, there will be no FBT and no tax deduction.
- If food and drink is provided for family members, FBT is payable (except where the cost is less than \$300 per person) and a tax deduction is allowed (no tax deduction allowed where the cost is less than \$300).
- If food is provided for clients, suppliers etc, there is no FBT and no tax deduction.

External Christmas party e.g., held at a restaurant

- Where food and drink is provided for employees and family members and the cost per individual guest is less than \$300, there will be no FBT and no tax deduction.
- Where the cost of the function per guest is \$300 or more, FBT applies and a tax deduction is allowed.
- Where food and drink is provided for clients, suppliers etc, FBT will not apply and no tax deduction is available.

Therefore summarised briefly, if the cost per guest (who is an employee or family member of an employee) is less than \$300, whether the party is held on business premises or externally, no FBT will apply and no tax deduction will be available. In all cases, FBT will NOT apply where food and drink is provided to clients, suppliers etc and no tax deduction is available.

50/50 method

Under this method, 50% of the total expenditure on food and drink provided at the party (irrespective of who attends and where the party is held) will be subject to FBT and tax deductible. Unlike the actual method, there is no \$300 exemption and employees are not 100% exempt from FBT where parties are held on business premises.

Christmas gifts

When determining the tax consequences of providing gifts to employees and clients, the Australian Taxation Office considers whether or not the gift is considered "entertainment".

Gifts that are not considered entertainment include Christmas hampers, wine, gift vouchers, a bottle of perfume, flowers etc. Briefly, where these types of gifts are provided to employees or family members and the cost is less than \$300, there is no FBT and a tax deduction is available. Where the cost is greater than \$300, FBT is payable and a tax deduction is allowed. Where these types of gifts are provided to clients, suppliers etc, no FBT will apply and a tax deduction is allowed.

Gifts that are considered entertainment include, tickets to attend a theatre, live play, sporting event, a holiday airline ticket etc. Briefly, where these types of gifts are provided to employees or family members and the cost is less than \$300, there is no FBT and no tax deduction. Where the cost is greater than \$300, FBT is payable and a tax deduction is allowed. Where these types of gifts are provided to clients, suppliers etc, no FBT will apply and no tax deduction is allowed.

Therefore the main difference between the treatment of gifts that are entertainment and those that are not, is that a tax deduction will be available in all cases for gifts provided to employees, family members and clients if the gift is not entertainment.

Getting Tough In a Tough Economy

You don't have to be beaten because the economy is tough. You just have to get into fighting shape. Here are some exercises that will make you more fit to deal with tough times.

- **Tighten up your cash flow muscles.** Consider reducing credit periods for customers and if necessary, use all the credit your suppliers give you.
- **Shed excess inventory.** Excess slow-selling inventory is unwanted fat. Analyze your inventory and put your money in the bank instead of on shelves.
- **Measure your margins.** If your product is selling fast, you may be under priced. Check to see if you are priced appropriately. Also use this opportunity to negotiate with suppliers for better prices.
- **Monitor overhead costs.** See if there are any areas that warrant cutting back and also check your standing orders and direct debits. You may be paying for things you no longer need.
- **Promote, promote, promote.** It seems the easiest and fastest way to reduce expenses, but cutting your marketing in tough times may not be wise.
- **Don't take the easy out.** The easiest ways to cut costs can end up costing you big time in the long run. Be creative in how you reduce your expenses, such as reducing employees to 4 day work weeks instead of layoffs. Offer employees a percentage of any savings they can create in purchasing and materials etc.

Research shows that people remember those who keep advertising through a recession, even if they don't patronize the business immediately. And importantly, keep these principles in mind even when trading conditions improve.

About Our Consulting Services

We are not your 'average' consulting firm. Far from it.

We are members of the Principa Alliance, an international network of business consultants and our goal is to help you build a stronger, more profitable business and enjoy a higher quality of life as a result.



When you work with us to improve your business you're gaining access to a global knowledgebase and a wealth of consulting experience that is so much more powerful than any one firm could offer.

By combining our knowledge of your business, the personal relationship we share with our clients and the consulting tools, support and networking power of the Principa Alliance, we can help you achieve more with your business than you imagined possible.

In short, we can, and will, do so much more for you than just 'keep the score.'

Contact us today to discuss how we can help you implement any of the topics described in this newsletter, and help you build a business that delivers on its promise.



Our Competitive Advantage

"Chartered Accountants who specialise in business solutions"

Strategic Business Growth Service.

We see it as a partnership that we work together with business owners to strategically grow their business.

Value Pricing:

Our focus is to deliver on value. We listen to determine your objectives, tailor a plan and work in 'partnership' to achieve the objectives. An agreed Fixed Fee provides certainty and value for money.

Staff Profile: Rachel Warton



Nickname/s: Warto

Most important person/people in your life: My fiancé Brad and my family.

What was your childhood ambition: To be a famous sportsperson.

Your favorite movie: The Notebook.

Your favorite album: Best of U2

Your favorite Book: The Stolen Years

Your favorite meal and drink: Pizza and Beer

Your favorite holiday destination: Koh Chang (Thailand)

Pet Hates: Leaving the toilet seats up.

Dogs or Cats: Dogs – Millie

If you could invite three people over for dinner, dead or alive, who would they be: Lauren Jackson, Heath Ledger and my aunty Maur

Specialty in the kitchen: Burritoos

What do you want to be remembered for: My passion for life.

Staff Announcements:

Babies:

- Daina and Andrew Macleod are proud to announce the arrival of Jenna Elizabeth MacLeod who was born on the 19th November 2008.
- Peter and Anne Jacks became proud parents for the second time in August with the safe arrival of Ellie.
- Brooke and Eric Ashby had a baby boy named Samuel in July.
- Danielle & Lee Mezis had a baby girl named Emmersyn in April.
- We wish Felicity and Craig Cheeseman all the very best with the arrival of their little baby who is due early in 2009.

Other News:

- Matthew Tol & Associates welcomes Daniel Greenbank to the team, who has accepted a roll as a Graduate Accountant. Daniel will commence work in January 2009.
- Congratulations to Rachel Warton on her engagement to Brad Hubble.

Merry Christmas



Matthew Tol & Associates

Opening Hours

- We close down on the 23rd Dec at 12pm.
- Resume on the 5th January 2009

Contact Us

Matthew Tol & Associates

24 Doveton Street Nth,
BALLARAT VIC 3350
ph:03 5333 3799
fax:03 5333 3900
www.mt.com.au
admin@mt.com.au

DISCLAIMER

Information provided in this publication is intended as general information only and should be considered carefully for your own business situation before use. This firm and any associated companies accept no responsibility or any form of liability from reliance upon or use of its contents.