



Building
better
businesses
locally

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HBS January 2011 Newsletter for Businesses

Dear Client

Welcome to the January 2011 edition of our newsletter containing tax information for businesses. If you did not recently receive our newsletter for individuals and would like to please [contact us](#).

Please feel free to [forward our newsletter](#) to another business owner; they don't have to be a client to benefit from our FREE advice!

ATO increases action on debt collection

You have told us you are seeing an increase in the ATO's use of firmer action to collect debt. The ATO take firmer action when:

- taxpayers choose not to work with the ATO to address their tax debt or repeatedly default on payment arrangements
- the debt is escalating with no evidence the taxpayer can meet ongoing tax obligations
- an audit has detected deliberate avoidance and continuing payment avoidance
- businesses engage in 'phoenix' activity to avoid financial obligations

We have been advised by the ATO that if wanting to make a payment arrangement with them, a 20% deposit is required. Also be aware that the ATO has the powers to issue a notice to a third party (e.g. bank) who owes you money or holds money on your behalf requiring them to pay all or part of that money to the ATO (known as a garnishee).

Business Activity Statement lodgement

The ATO are increasing their focus on businesses with late and not lodged activity statements and will be contacting them to ensure that they meet their tax obligations.

Activity statements must be lodged even if payment cannot be made at the time of lodgment. Some of their strategies to assist people in meeting their lodgments include:

- sending letters to increase awareness of upcoming due dates

- reminding self-preparers of due dates by SMS

People who consistently or deliberately don't lodge will be subject to harsher penalties.

If you need assistance in getting your Business Activity Statements up to date so as to avoid penalties please call us.

Better Business Builder – Turning Numbers into Know-How

Better business starts with well-informed advice.

Better Business Builder analyses financial records to reveal the good, the bad and the ugly. We then have all the facts and figures we need to give clients the best advice possible - the sort of advice that can improve their business. After all, better business starts with well-informed advice.

Better Business Builder allows us to see the health of your business, in seconds. You'll get instant answers to your questions like, "What happens to my cash flow if my sales increase" or "What will interest rate changes do to my bottom line?" or "What happens if I delete that product line, or reduce the sales price?" That way we can quickly identify problem areas and ways to address them.

Better Business Builder comes with 'What if', goal-seek and benchmark features so we can show you what affect business decisions will have – before you make them. So it's ideal for business planning and improvement, loan applications, valuations and due diligence tests.

Better Business Builder is the same software that major banks use for risk review and client growth – making it the ideal tool to help you with loans as well as buying and selling businesses. Better still, you can provide records in the same format the banks want; safe in the knowledge your figures are sound.

With Better Business Builder we can turn your numbers into knowledge and knowledge into strategy.

Contact [Kathryn Harris](#) if you would like to know more about this new service from Harris Business Solutions.

Employing your spouse

Two recent cases before the Administrative Appeals Tribunal dealt with the scenario of a husband employing his wife to assist with looking after rental properties. The question before the Tribunal was whether there was a 'genuine employment relationship'. As the two cases show, if it is found that there was no employment relationship in the circumstances, the taxpayer would not be entitled to deductions for salary or wages, fringe benefits, and superannuation contributions paid in relation to 'employing' the spouse. Rather, the outgoings would be considered to private or domestic in nature.

***Note: It is not against the law to employ your spouse. However, the arrangement must be genuine and this requires examining the totality of the relationship when characterising it. As demonstrated by the cases, one cannot transform an existing domestic relationship simply by calling it another name, or by adopting some aspects of an employment relationship.

Is your employment paperwork in order?

Now that we are on the downhill slide to the end of the financial year it is timely to remind all business owners with employees that you MUST have a TFN declaration and a Super Fund Nomination form completed for each employee; this includes yourselves if you are an employee of your own company.

Fringe Benefits Tax and Christmas

Christmas Parties On Premises

- Employees – No FBT, no tax deduction and no input tax credits claimable
- Employee's associates <\$300 – No FBT, no tax deduction and no input tax credits claimable
- Employee's associates >\$300 – Subject to FBT, but tax deduction and input tax credits claimable
- Clients – Not subject to FBT, no tax deduction and no input credits claimable

Christmas Parties Off Premises

- Employees <\$300 – No FBT, no tax deduction and no input tax credits claimable
- Employees >\$300 – Subject to FBT, but tax deduction and input tax credits claimable
- Employee's associate <\$300 – No FBT, no tax deduction and no input tax credits claimable
- Employee's associate >\$300 – Subject to FBT, but tax deduction and input tax credits claimable
- Clients – No FBT, no tax deduction and no input tax credits claimable

Gifts

- Employee <\$300 – No FBT, no tax deduction and no input tax credits claimable
- Employee >\$300 – Subject to FBT, but tax deduction and input tax credits claimable
- Clients (non-entertainment item e.g. bottle of wine) – No FBT, but tax deduction and input tax credits claimable
- Clients (entertainment item e.g. show tickets) – No FBT, no tax deduction and no input tax credits claimable

Key dates for Business Taxpayers

Monday 21st February – January 2011 monthly activity statement due for lodgment and payment

Monday 28th February – Quarterly Activity Statement due for lodging and paying; all lodging methods

Monday 28th February – Quarterly Installment notice due date for payment

Want to see some particular tax topic/tip mentioned here? Please [contact us](#) with your request, we are more than happy to oblige.

Regards

The HBS Team

Kathryn, Allison, Connie, Lyn, Nikki and Katherine

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

PO Box 512, Wallan VIC 3756, Australia



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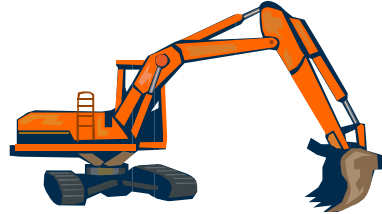
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