



Building  
better  
businesses  
locally

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## HBS May 2011 Newsletter for Businesses

Dear [Client](#)

Welcome to the May 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!

### How to pull in your debtors and increase your cash flow

As business owners, we know how damaging slow and non-paying customers can be. Thankfully, something can now be done about it. We would like to alert you to CreditorWatch, a fantastic new initiative started by a business owner tired of bad debts.

How CreditorWatch can help you:

**(creditor)watch**  
member 2011

- Check potential business customers  
Search CreditorWatch to see if the business has any defaults or outstanding debts that have been registered.
- Monitor existing business customers  
Create a watchlist in CreditorWatch so that you are automatically notified if any clients on that list have a default lodged against them.
- Use the logo on your invoices  
This ensures your clients are aware that you will register any defaults and encourages them to pay.
- Register defaults  
Most businesses do not want to be registered as a bad debtor so the threat of a default is a vital and often final proponent in attempting to recover an outstanding debt. If a customer resolves the outstanding debt you can change the status of the default to 'settled'.

Through a special partnership with Harris Business Solutions, CreditorWatch is offering 3 months FREE access and an ongoing 10% discount on monthly fees. To take advantage, simply quote the promotion code **harris** when you join.

**Plans start from less than 80 cents a day.**

For more information, including a video demonstration, visit [CreditorWatch.com.au](http://CreditorWatch.com.au).

## **Check your business trading name now, before you lose it!**

With the nationalisation of the trading name administration there are changes that will potentially affect your business.

Currently trading names are registered on a state-by-state basis so there could potentially be other businesses in Australia with the same trading name as you. However, when this system is changed to a national register this could be an issue. Where there are double ups of names you will be issued with a letter or number to add to the end of your name so as to differentiate between your business and others with the same name. If there are other businesses with the same name as yours currently, unfortunately there is no way around this.

You will no longer need to display your business name certificate.

If your business address is your home address you will have to apply to have it suppressed when a search is done on the national register.

Trademarks will be more popular and important to distinguish between businesses that have similar names, particularly if they will be allowed to trade Australia wide. Make sure you consider domain name availability too!

Also, because you will have to compete with everyone in Australia to get the name you want your chances will be a lot slimmer. The sooner you register the name you want the better! And if previously you couldn't register the name you wanted as someone else already had it – try registering it in a different state now, before it goes national (this may require having a postal address in the other state).

To search business names please [click here](#) or for more information please talk to or [email Nikki Clydesdale](#).

## **Common GST mistakes**

- For expenses over \$82.50, you must have a receipt or invoice to support your GST claim. These documents must be kept for 5 years after the return is lodged. We recommend photocopying EFT receipts as they fade.
- Bank fees such as monthly and annual fees, loan establishment fees, and cheque book fees, are not subject to GST. However, credit card merchants' fees are subject to GST.
- Government fees such as council rates, water rates, ASIC filing fees, and motor vehicle registration are not subject to GST, so GST cannot be claimed. The Insurance premium portion of your M/V registration is claimable though, so ensure you read and dissect the second page of your Renewal notice, this will tell what the GST amount is.
- GST on residential rental properties expenses cannot be claimed. However, GST on commercial property expenses can be claimed.
- When purchasing food related items, some items are subject to GST, whereas others are not. Foods products such as milk, coffee, and bread are not subject to GST. While, food items such as sandwiches, platters (cheese, fruit, cold meats), and some beverages are subject to GST. Your docket will itemize what is GST applicable and what isn't. Detailed food lists are available on the ATO website.

## **ATO reviews the Living Away From Allowance**

The ATO are reviewing living-away-from-home allowance benefits and believe some employers may be claiming excessive amounts for exempt accommodation and food components.

In April 2011 they have written to some employers who are paying this allowance, requesting information for each employee receiving the allowance, including:

- a copy of their Living away from home declaration
- their tax file number
- the amount of salary and wages paid to them
- the total value of the allowance paid to them
- the amount of exempt accommodation and food allowances paid
- the basis used for ascertaining any exempt accommodation and food component amounts

If you have received one of these letters please call and speak to your accountant.

### **ATO focus on revenue losses**

In the coming weeks, the ATO will be writing to selected businesses across the small-to-medium enterprise market as part of two separate revenue loss initiatives:

- a pre-lodgment awareness letter - sent to businesses with carried forward revenue losses reported in their 2009 income tax return
- verification engagement letter - sent to businesses that have generated, deducted, or carried forward significant revenue losses in the 2008 and/or 2009 income year

For more information, refer to [Increased focus on small-to-medium enterprises with revenue losses](#) or call and speak to your accountant.

### **Immediate deductions for asset purchases and company tax rate change**

The Government will introduce a tax write-off for the first \$5,000 of any motor vehicle purchased by a small business from 1 July 2012. The write-off replaces the Entrepreneurs Tax Offset (ETO) incentive arrangements. The new measure will provide the following:

- An "instant" write-off of the first \$5,000 of the purchase value of any motor vehicle;
- The ability to transfer the balance of the purchase value to the general small business depreciation pool (15% depreciation in year 1; 30% depreciation in subsequent years).

The Treasurer's Press Release on the measure states that the write-off is available to all small businesses. Eligible small business entities will include sole traders, trusts, partnerships and companies.

The motor vehicle write-off is in addition to the following proposed 2012 -2013 tax reforms for small businesses :

- An immediate write-off of all assets valued at under \$5,000
- A write-off of all other assets (except buildings) in a single depreciation pool at a rate of 30%
- A reduction in the company tax rate to 29% for incorporated small businesses

### **Reporting of payments made to contractors in building industry**

From 1 July 2012, the Government will require reporting on an annual basis of payments made to contractors in the building and construction industry. Additional funding will allow the ATO to undertake data matching, review contractors' tax liabilities, perform targeted audits and assist with educating the building and construction industry about the new regime and their tax obligations.

### **Reporting Super on employee payslips**

Employers will be required to report information on employee payslips about the amount of super contributions actually paid into the employee's super account. The reporting requirement will commence from 1 July 2012. The measure appears to be reinstating reporting requirements that applied up until 1 January 2005. In addition, employees and employers will receive quarterly notification from their superannuation fund if regular contributions cease after 30 June 2012.

### **Self-Managed Super Funds**

The Government is increasing the annual levy by \$30 to \$180 a year for each self-managed fund payable on lodgement of the fund's 2010-11 return. The \$50 million raised over forward estimates will be used for a range of measures including:

- Introducing administrative penalties the ATO can apply in cases of non-compliance by trustees
- Tightening legislative restrictions for investments in collectables and personal use assets (applying to new

- investments from 1 July 2011)
- Requiring funds to value their assets at net market value
- Introducing knowledge and competency requirements on service providers

Most changes are stated to commence from 1 July 2012 and have previously been announced.

### **Trust distributions and income for children**

Minors will no longer be entitled to low income tax offsets on unearned income. The reasoning behind this, says the Government, is to discourage income splitting between adults and children. In other words, taxpayers will not be able to reduce their tax by allocating some of their income to their children from 1 July 2011.

### **Tax tips to consider prior to 30 June**

- If your cash position allows it, delay sales until after 30<sup>th</sup> June
- If your cash position allows it, bring forward required purchases prior to 30<sup>th</sup> June
- Ensure all super contributions are up to date, contribute to your own super fund as much as possible
- Prepay any annual payments such as insurances prior to 30<sup>th</sup> June
- Review debtors prior to 30<sup>th</sup> June and write off any bad debts

Please note that this is generalised advice that may or may not suit you and your business. For more specific advice please call or email your accountant directly.

### **Key dates for Business Taxpayers**

Sunday 5<sup>th</sup> June – Lodgment of income tax returns due for companies and trusts

Tuesday 21<sup>st</sup> June – May 2011 Monthly Activity Statement due for lodging and payment

Thursday 30<sup>th</sup> June – Super guarantee contributions must be paid by this date to qualify for a tax deduction in 10/11 year

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.

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Make an  
Appointment

