

Chartered Accountants

Business **in focus**

Monthly audio program > presented by Michael Schildberger

March

10

Are you ready for IR audit?

- Joydeep Hor,
Harmers Workplace Lawyers

The extras



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There's not much we can do about such areas as increasing interest rates and their direct effect on our enterprises but we do need to prepare ourselves for the impact of the new IR laws. Is our workplace flexible enough, for example, to handle requests of our staff members? Can we provide the right answers if we need to face an IR audit? Have we made decisions, as we should, purely for business reasons when we're challenged by a union representative? Correct answers to questions such as these will not only be important to our business, they will be critical in terms of avoiding potential penalties. Joydeep Hor of Harmers Workplace Lawyers gives us a list of watchouts on this CD.

On the economic front our regular, reliable, Professor Neville Norman tells us this year will be better than last year, but rocky times still lie ahead and interest rates will rise.

And many businesses face questions as Australia emerges from the global financial crisis while other countries remain in the abyss. Chartered accountant, Clive Isenberg of Octet Finance, answers some of those questions.

Michael Heine of NetWealth explains the overlap between accounting and financial product services and has suggestions for accountants in practice.

Do your clients understand excess superannuation contributions? Michael Hallinan of Townsends Business & Corporate Lawyers has his own advice for advisors.

I hope you enjoy the program.

Regards

A handwritten signature in black ink that reads "Michael". The signature is fluid and cursive, with a long, sweeping underline.

Michael Schildberger

Executive Chairman

Information

For more information about the topics discussed on this March 2010 program, please contact the relevant organisations listed below.

KEY QUESTIONS AS WE EMERGE FROM THE GFC

Clive Isenberg, Octet Finance, 02 9356 6300. www.octetfinance.com
Or The Institute of Chartered Accountants in Australia 1300 137 322
<http://www.charteredaccountants.com.au/A123572287>

BULLETPROOFING YOUR FINANCIAL PLANNING BUSINESS

Keat Chew, NetWealth 1800 888 223
www.netwealth.com.au

ECONOMIC UPDATE

Professor Neville Norman
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ARE YOU READY FOR AN I.R. AUDIT?

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"BUSINESS AS USUAL" – NOT ANY MORE!

Ian Berry, Differencemakers Community
www.differencemakers.com.au

EXCESS CONTRIBUTIONS

Michael Hallinan, Townsends Business & Corporate Lawyers
www.townsendslaw.com.au

PUTTING YOUR TEAM'S INSTINCTS TO WORK

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IS SALARY PACKAGING WORTH WHILE?

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SHAREMARKET UPDATE

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THE ESSENTIALS

March 2010

Track 1

KEY QUESTIONS AS WE EMERGE FROM THE GFC

Clive Isenberg CA, Octet Finance

- Lessons from the GFC include: cash is king, liquidity is tight, it's critical to diversify sources of funding
- Planning access to diversify sources of funding is very lengthy – prepare for a drawn out assessment
- Prepare an Action Plan that will lead to a complete submission. Ensure all ATO repayment arrangements are complete and all returns are up to date, year end financials are complete, management accounts for the past three months are available and accounts payable and receivable appear managed and collectable
- look at non property backed business financiers
- Reassess your accounts payable process and options
- Company decision makers need to balance growth with risk. Be ready when your market moves. It will move when you least expect it
- Most businesses have laid people off during the GFC. Hiring and training programs need to be drawn up and implemented, acknowledging existing staff

Track 2

BULLETPROOFING YOUR FINANCIAL PLANNING BUSINESS

Michael Heine, NetWealth

- A financial advisor in an accountant's practice can help client retention and regulatory compliance
- Accountants can consider setting up financial planning through their own license, a joint venture or joining a dealer group
- Key considerations include: licensing, qualifications, regulatory and Professional Indemnity Insurance
- Services provided by a dealer group include: compliance, commission handling, research, approved product list, technical support and practice development

Track 3

ECONOMIC UPDATE

Professor Neville Norman, Melbourne University

- As summer ends, there's been mixed news on the economy, both here and overseas
- The Reserve Bank decision in February not to raise interest rates came as a surprise, but we can still expect increases during the year
- International developments can affect interest rates, taxes and government subsidies, and therefore small business

- China's continuing strength has been a boon for the resources industry, but inbound tourism remains sluggish because the US and Europe are still not in recovery mode
- Other sectors, like lawyers and accountants, are looking to the Henry Report on tax to generate new business
- The Federal Government's May Budget will revise some of last year's estimates upwards to take account of a stronger-than-expected economy

Track 4

ARE YOU READY FOR AN IR AUDIT?

Joydeep Hor, Harmers Workplace Lawyers

- The National Employment Standards and Modern Awards came into effect on January 1 – employers need to understand their implications
- 50,000 businesses are scheduled to receive a “targeted education visit” from the Fair Work Ombudsman this year
- If audits take place, fines of up to \$33,000 for each breach of the law can be imposed
- Business operators need to make sure their contracts of employment are up-to-date and conform with the law
- Every business needs to understand the issues that are important to its workforce, and be prepared to deal with them

- Flexible working arrangements could be the biggest area of difficulty for employers – they must have a sound business reason for turning down requests

Track 5

“BUSINESS AS USUAL” – NOT ANY MORE! **Ian Berry, Differencemakers Community**

- The “new world” of business will be more about giving than taking
- Greed won't disappear, but those in business for profit alone will become dinosaurs
- Most businesses are initially resistant to change, but those who embrace it can achieve phenomenal bottom-line results
- The business case for sustainability is now well made. Accept it and get on with it
- Companies like Cirque du Soleil and Virgin have succeeded by embracing change and revolutionising their industries
- Replace your outdated vision statement with a compelling story, move from mission to a cause beyond profit and replace values with virtues

Track 6

EXCESS CONTRIBUTIONS

Michael Hallinan, Townsends Business & Corporate Lawyers

- Excess contributions are:
 - Concessional limit - \$25,000 pa - tax @ 31.5%
 - Non-concessional limit \$150,000 pa - tax @ 46.5%
 - CCT contributions \$1.1m lifetime cap - tax @ 46.5%
 - Personal injury contributions. No limit
 - Double tax – excess concessional contributions count as non-concessional contributions
- When an assessment arrives check its accuracy – contributions could be incorrectly allocated to member or contributions could be incorrectly reported (Eg CGT contributions reported as ordinary non-concessional contributions)
- If no error, apply for an Excess Contributions Tax Determination – 60 days in which to apply. Use ATO form
- PS LA 2008/1 describes Commissioner's policy for exercise of discretion
- Advisors should:
 - Ensure clients understand significance of contribution caps
 - Ensure clients understand tax significance of exceeding caps

- Obtain relevant contribution information in a methodical manner
- Clients may not appreciate types of contributions or may confuse whether contribution for spouse or themselves

Track 7

PUTTING YOUR TEAM'S INSTINCTS TO WORK

Andrew O'Keeffe, Hardwired Humans

- Many common complaints from business owners stem from a common source: we all employ people
- From our earliest history, we lived and worked in groups of about seven – the family group – and about 150, the traditional village
- Our living habits changed with the Industrial Revolution when we moved into offices and factories but research shows that work teams become dysfunctional if they're smaller or larger than 7
- The successful travel firm Flight Centre takes it so seriously that they'll open another shop rather than add an eighth member to an existing team
- And if senior managers have more than 7 people reporting directly to them, they'll lose track, and "inner cabinets" will form – a sign of growing dysfunction

- British research has linked the “village” of 150 to the capacity of the human brain – large companies need to think how they handle organic growth
- We can’t override these basic instincts, but we can put our knowledge to good use, designing work teams that will function effectively

Track 8

SALARY PACKAGING: HOW TO GET IT RIGHT

Aytunc Tezay, Australian Salary Packaging Industry Association

- Salary packaging may not be a high priority in small business, but it can be helpful in hiring or retaining good employees
- It’s possible to outsource to salary packaging specialists, with the costs passed on to the employee
- Different rules apply to not-for-profit organisations, which have FBT exemptions
- In for-profit organisations, extra superannuation contributions and novated car leases are most often used in salary packaging
- Employees should be advised to seek professional advice of their own if they’re interested in salary packaging
- ASPIA, formed to develop a common approach to government and the Tax Office on salary packaging, can also put employers in touch with outsourcing firms which will handle the arrangements

Track 9

SHAREMARKET UPDATE

Tim Lincoln, Lincoln Stock Doctor

- The market's volatile again, but every correction brings opportunity
- The first wave of the reporting season has seen key companies recording some very strong results
- My top six stocks all have one thing in common – their senior executives all have long experience and “skin in the game”
- Navitas is providing a pathway to educational qualifications for overseas students; GUD Holdings distributes electrical and cleaning products; JB Hi-Fi produced excellent trading and profit results
- Resmed develops and markets sleep apnea products; Webjet produced excellent results in a difficult environment and Safe Roads Holdings has been a pioneer in developing road safety equipment

Track 10

TAX UPDATE

Michael Jones CA, Cummings Flavel McCormack

- It's worth checking your FBT status before the March 31 deadline – boosting your kilometres driven might reduce the tax payable

- Check that your super contributions are in line with the reduced levels now in force
- 62% of tax receipts come from small and medium business. That's an incentive for the Tax Office to boost the number of audits it carries out
- Tax arrangements for holiday homes and other facilities owned by companies and used by shareholders are likely to change – shareholders will be taxed if they don't pay full market value for their use
- The common thread: sort out your tax compliance issues before the end of the year, for greater peace of mind