

Welcome to another edition of the Stone Consulting Newsletter.



Insolvency Indicators - by Donna Stone

Basically there are a number of indicators that a business is really struggling and might even be insolvent. Each on its own doesn't guarantee this is the case, but they are possible indicators.

Financial Statement Indicators

- Continued losses, particularly large losses, month after month
- Insufficient working capital
- Lack of timely or accurate financial information
- Liquidity ratios below one
- Owners continually having to "top up" the business, but are rarely repaid and never get a "wage"

Cash flow Indicators

- Inability to raise equity or loan capital or meet their due debts
- Issuing post-dated cheques or having cheques dishonoured
- Payments in rounded sums and for the minimum (or not full) amount
- Overdue Commonwealth and State taxes (and staff super unpaid)
- No access to alternative finance

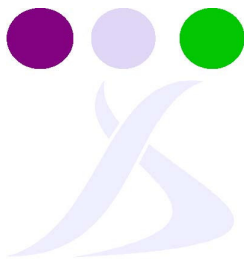
Credit Relationship Indicators

- Poor relationships with the bank
- Suppliers demanding COD trading, or payments before supply
- Creditors issuing demand or proceedings
- Special relationships with selected creditors
- Solicitors' letters, Summons, Judgements or Warrants being issued.

Remember you might see some of these indicators in one of your customers/clients OR are you experiencing these problems yourself? These are the signs – so don't bury your head in the sand and ignore them!

Stone Consulting now has Credit Card/Eftpos Facilities Available – by Donna Stone

I'm pleased to advise that we are now able to accept credit cards for payment of your invoices. At this stage it will be at no additional cost. Our invoices will have a credit card section at the bottom, you can either mail this in, OR fax it in, or alternatively you can ring Amanda, Tracey or Karina in the office and they can get your details for payment of your account on credit card. We accept MasterCard, Visa and Amex. Any queries at all about this, please don't hesitate to ask either myself, Amanda, Tracey or Karina.



Group Certificates – by Amanda Chan

Year End is almost upon as and once again we are offering to run Group Certificates for all our clients. To make things run smoothly we will be checking files within the next few weeks to ensure that all employees have addresses and tax file numbers in their cards as well as checking that anyone who has been terminated has a termination date in their card. We will also make sure that the ledgers balance and that the data is correct. Shortly you may receive an email from us asking if you would like Group Certificates done and/or an email advising you of any employee information that needs to be added to your file; we will also need to know the date of your last pay for June. In order for us to complete everyone's Group Certificates on time we will need you to email your file to us as soon as the last pay for the has been processed. As soon as the Group Certificates have been run off we will contact you to roll your payroll year as this needs to be done before you can process any pays for July 2009. With enough preparation and planning Group Certificates this year should go off without a hitch.

Why Customers Leave – Julie Smith

In today's economical climate we will be working harder for our money and need to hold on to every customer possible. Successful businesses work hard to keep their customers satisfied. Although prevention is better than cure, it is almost inevitable that at some stage you will receive a customer complaint.

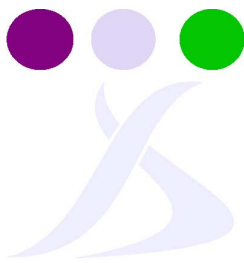
Understanding why customers leave is an important tool as in some cases you may be able to prevent it before it is too late and happens again. So putting a good complaint handling procedure in place, and managing customers complaints effectively makes good business sense.

Some statistics on why customers defect : 1 % Bankruptcy or Death, 3% Move, 5% Technology, 9% Price, 14% Angry, 68 % Vague feeling or indifference (maybe feel you just don't care). Unhappy people tell 13 other people before they get it out of their system. 90% of the people who are insulted once will leave and never tell you. Then for every person who does call and complain, there are 29 other people who will not call at all. Although, 75% will come back if you fix the problem quickly and fairly.

Some tips on putting a complaint handling procedure in place.

- Look how your business currently handles any complaints and is it effective?
- Involve staff in developing a system to handle these complaints, who will handle and the procedure they will follow each time.
- Identify common complaints, and work out standard solutions.
- Be systematic in handling these complaints, maybe develop a standard form and record this information. Use this information for future analysis.
- Ensure the person handling the complaint is well trained and has the skills to handle this job well.
- Advise your clients/customers that you welcome genuine complaints about your product quality and service and who and where they can report this to. You want to ensure it goes directly to the right person the first time as an untrained person in this field could make it worse.

Don't presume a customer complaint is a negative experience because, if handled well, it can be a valuable learning tool.



Education Tax Refund 2008-2009 – by Karina Thew

In January the Government sent out a letter outlining expenses you can claim for your children's education, these expenses can be claimed for all children who attend primary or secondary school.

Families are able to claim 50% of each eligible child's expenses, however there is a limit. The maximum you can claim is \$750 per child for primary school, meaning a refund of \$375 and \$1500 per secondary school child, meaning a refund of \$750. This can be claimed when you are lodging your annual tax return and you must keep your receipts

A good way to track these expenses is to include them into your MYOB bookkeeping if you are a Sole Trader and you pay personal expenses via the file; see example below.

Account Name	Type	Tax
⇒ 3-0000 Equity	Equity	
⇒ 3-1000 Owners Equity	Equity	N-T
⇒ 3-2000 Personal School Expenses	Equity	N-T
⇒ 3-8000 Retained Earnings	Equity	N-T
⇒ 3-9000 Current Earnings	Equity	N-T
⇒ 3-9999 Historical Balancing Account	Equity	N-T

When recording the transactions you will have to ensure you have good memo fields indicating which level you will be claiming if you have multiple children at different stages of schooling.

Please see the link below for a list of what is claimable and if you are eligible.

<http://www.ato.gov.au/individuals/content.asp?doc=/content/00174278.htm> –

Tax Planning Strategies – by Barbara Coleman

The end of the financial year is approaching and business owners should now be talking to their accountant about ways to legitimately reduce the tax bill for 2009.

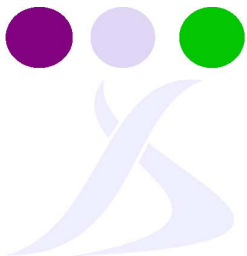
The most common tax planning strategies that should be considered prior to 30 June 2009 include:

- Small Business Entity Tax (SBE) concessions
- Maximising depreciation claims
- Claiming deductions for expenses not paid at year end
- Writing off bad debts
- Prepayment of expenses
- Deductible superannuation contributions
- Other tax issues



Small Business Entity Tax (SBE) concessions

The Simplified Tax System (STS) was replaced from 1 July 2007 with the new “small business entity” (SBE) tax rules which provide access to a similar range of concessions that were previously available under the STS.



Unlike the previous STS system which had an “all in, all out” approach, the SBE rules allow businesses to choose which one or all of the concessions that they wish to apply without the need to make a formal election in the tax return.

In order to be an SBE, there is only one test that needs to be satisfied, being that the turnover of the business, including connected entities and affiliates, is less than \$2 million GST exclusive.

Some of the tax planning concessions that are available under the SBE rules are:

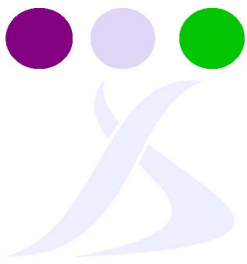
- Claiming an immediate deduction for assets costing less than \$1,000 GST exclusive;
- Depreciable assets costing \$1,000 or more GST exclusive are included in an asset pool. A full depreciation deduction of 15% (30% thereafter) can be claimed for 2009 where the asset has an effective life of less than 25 years regardless of when the asset was acquired during the income year;
- Choosing whether or not to do an end-of-year stock take if the value of trading stock has not increased or decreased by more than \$5,000 over the income year;
- Claiming an immediate deduction for certain prepaid business expenses where the payment covers a period of 12 months or less that ends in the next income year. Subject to cash flow requirements, the most common expenses that an SBE taxpayer should consider prepaying by 30 June 2008 include lease payments, interest, rent, business travel, insurances, business subscriptions, etc; and

Maximising depreciation claims

- Non-SBE taxpayers can claim an immediate deduction for assets costing less than \$100 GST exclusive (e.g. minor tools).
- Non-SBE taxpayers can scrap or sell depreciable assets for less than their written down value to realise a tax deduction loss.
- Non-SBE taxpayers can allocate assets costing less than \$1,000 GST exclusive to a “low value pool” and claim depreciation of 18.75% for 2009 (37.5% thereafter) regardless of when the assets were acquired during the income year.

Claiming deductions for expenses not paid at year end

- SBE taxpayers that entered the previous Simplified Tax System (STS) prior to 1 July 2005 and who have not opted out of the cash accounting rules, can only claim a deduction for expenses when they are paid. Therefore to claim an immediate deduction the business should pay for the expenses by 30 June 2009.
- All other businesses are entitled to an immediate deduction for certain expenses that have been “incurred” but not been paid by 30 June 2009 including:
 - Salary and Wages. A tax deduction can be claimed for the number of days that employees have worked but have not been paid until after 30 June 2009.
 - Directors Fees. A company can claim a tax deduction for directors fees if it is “definitely committed” to at 30 June 2009 and has passed an appropriate resolution to approve the payment. The director is not required to include the fees in their taxation return until the 2010 year when the amount is actually received.
 - Staff Bonuses and Commissions. A business can claim a tax deduction for staff bonuses and commissions that are owed and unpaid at 30 June 2009 where it is “definitely committed” to the expense.
 - Repairs and Maintenance. A deduction can be claimed for repairs undertaken and billed by 30 June 2009 but not paid until the next income year.



Writing off bad debts

Where taxpayers account for income on a non-cash basis and have previously included the amount in assessable income, a deduction for a bad debt can be claimed in 2008/09 so long as the debt is declared bad by 30 June 2009.

The business will need to show that it has made a genuine attempt to recover the debt by year end to prove that the debt is bad. It's preferable that this decision is made in writing (e.g. a board minute).

Note the business can claim back the GST paid on debts that have been written off as bad.

Prepayment of expenses

Non-SBE taxpayers may be able to claim limited deductions for certain prepayments that are:

- (i) less than \$1,000 GST exclusive; or
- (ii) incurred under a law of the Commonwealth, State, or Territory. Common examples are motor vehicle registration and compulsory third party insurance and Workcover premiums and statutory licences. Note the ATO require not only for there to be a legal requirement to pay the expenditure in advance, but also that the expenditure is required to be paid in advance; or
- (iii) paid under a contract of service (e.g. prepayments of salary and wages, bonuses and commissions).

This also applies equally to SBE taxpayers

Deductible superannuation contributions

From 1 July 2007, the maximum superannuation contributions that can be claimed by employers on behalf of their employees is:

Employee below 50 years of age at 30 June:	\$50,000 (indexed)
Employee aged 50 and over at 30 June:	\$100,000 (unindexed) *

* This is a transitional measure that applies for the 2008 to 2012 income years, upon which the limit will reduce to the standard \$50,000 indexed amount.

The above applies equally to substantially self-employed persons who now obtain a 100% deduction up to those limits.

In order to obtain a deduction in the 2009 financial year, the contribution must to be received by the superannuation fund by 30 June 2009.

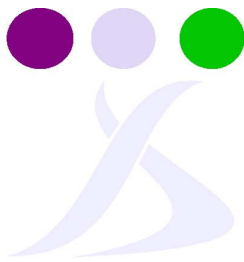
Other tax issues

- Businesses need to ensure that they have kept proper records to substantiate expenses claimed in their tax returns, including a new car log book every 5 years, plus annual odometer records, travel diaries in appropriate situations, loan agreements and tax invoices.

Business owners need to continually review their operating structure to ensure that it is still appropriate taking into account issues such as asset protection, changes in marginal tax rates, and the changes to the small business capital gains tax concessions.

Just a reminder that if you report on a cash basis any cheques banked on 30 June are classified as income for that year.

Reference: Kochie's Business Builders - http://smallbusiness.yahoo.com.au/Article/Tax_Planning_Strategies



If you have any issues or questions which you would like answered in the upcoming newsletter; please email your question to Donna directly. Should you need any assistance with this; or any of the above matters – feel free to contact us:

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