



STONE CONSULTING

Newsletter 11

Spring 2007



Welcome to another edition of the Stone Consulting Newsletter.

Tax Bits 'N' Pieces - by Donna Stone

GST Registration Threshold Raised - from 1.7.07 the ATO has advised the levels have raised from a turnover of \$50K to \$75K for business and For Not for Profits, the level has gone from \$100K to \$150K pa.

Keeping your Business Records - just a reminder you need to keep tax and business records for a minimum of 5 years. Now that's five years from when you lodged. So if you lodged your 1998 tax return in 2005, the time won't expire till 2010.

Super Contributions - from 1.7.7 the annual cap will be \$50K and during the transitional period (1.7.07 to 30.6.12) for anyone over 50, the annual cap will be \$100K. There have been some major changes to super lately; talk to your accountant or financial advisor.

Super Funds must have your TFN - from 1.7.07 you must provide your tax file number (TFN) to your super fund, otherwise your contributions may be taxed an additional 31.5%. As employers, you need to provide your staffs' super fund with all TFN's promptly. Some funds may not even accept contribution if a TFN hasn't been given.

Employment Termination Payments - new rules are applicable regarding termination payments. Firstly, they will not now be able to be rolled over into super. Also if the termination amount is over \$5K, you as the employer will need to provide an Employment Termination Payment Form. Finally, if the employee is below their preservation age (which ranges between from 55 upwards, depending on your birth date), then you tax them at a maximum of 30% (for amounts up to \$140K) or if they have reached preservation age, then at a maximum of 15% (for amounts up to \$140K). For amounts over \$140K it's then taxed at the top marginal tax rate plus Medicare levy.

Self Managed Super Funds - in the 1st year of a SMSF, if the auditor now finds an error, they must report this error to the ATO (regardless of size) so be sure to get it right and "fly below the radar".

Rental Properties - with the growing number of rental property deductions, the ATO is really monitoring this area and it's very much a focus area. One of the most common errors is to claim a capital expense as a deduction straight up. For example, you buy the rental and then do it up. This is not an immediate deduction, but should be capitalized (coded to asset @ cost and then placed on the depreciation schedule). So many landlords claim this deduction wrongly as an immediate expense. The other thing is if you improve the property after having it for awhile - it **may** be a deductible expense under the decline in value or capital work provisions. Check with your accountant.

Selling an Asset - another focus of the ATO is when a business asset is sold. So many taxpayers and businesses forget to pay 1/11th of the sale price as GST on sales. A common error is missing the trade in of a business vehicle. You may have got \$5K for the vehicle; \$454 of this needs to be remitted to the ATO.

● MYOB ● PREMIER ● BUSINESS BASICS ● MICROSOFT WORD ● EXCEL ●

The articles contained are information only and do not constitute legal or accounting or financial advice – you should seek specific advice from a duly qualified specialist. We do not accept liability for any negligence or error on our part, in respect of the information contained herein.



ATO's Hit Industries - each year the ATO focuses of certain industries; this coming year it's Mining, Construction (well, nothing new there, the Building & Construction industry seem to be permanently on their hit list) and Fitness & Sport.

When you can't pay your BAS - sometimes you just can't pay the BAS, but please do NOT delay lodging it. If you lodge and contact them, you will avoid a late fee on the lodgment and can negotiate a repayment plan with them. Yes, most likely you will pay the GIC (general interest charge) but at least you will avoid the late lodgment fees and penalties.

Employee Shares Schemes - don't forget that if you get discounted shares as an employee; let your Accountant know. The discount is in fact assessable income.

Work Related Expenses - remember that you must have substantiating documentation when claiming work related expenses which exceed \$300.

Preventing Identify Crime - this is a bit of an issue; check out at the site www.staysmartonline.com.au.

Tax Fuel Credits - refer to my article in the Winter 2006 Newsletter called Energy Grants Credits Scheme as the ATO feels many eligible businesses are not making their due claims.

Tax Concessions for Small Business - it's proposed (Parliament is yet to approve) that from 1.7.7 to be eligible for STS (Simplified Tax System) you will need to simply have an annual turnover of less than \$2M. This represents 96% of businesses. Previously there were 5 eligibility rules; now (proposed) just the one. Something made simpler for a change. :)

Quick Tip

To change the date quickly, you can use the + or – keys on the number pad area of your keyboard. In Sales or Purchases if you use the + key this will bring up the Calendar and you can click on the appropriate date but the – Key will decrease the date.

Thought of the Week

We are what we repeatedly do. Excellence, then, is not an act, but a habit. – Aristotle



Business Structure– by Mike Doig of CPD Accountants

Hands up all those who would like to pay the Tax Office more tax than you actually have too!!!. Not many of you I suspect. By operating your business through an inappropriate structure you may be doing just that. You may also be placing your home and other personal assets at risk. Below is a brief outline of each of the major structure types, and some of their pros and cons.

Sole Trader

This is the most basic structure. The business is conducted by the business operator in their own name. There are no real initial setup costs. The major drawback of this structure is the inability to spread income. Tax is paid on profit at the business operator's marginal tax rate, which could end up being as high as 45%. Personal property may also be at risk if the business becomes unable to satisfy its debts.

Partnership

A partnership is where two or more people, or other structures, operate a business jointly. Set up costs are low, however it is often a good idea to have a solicitor draw up a partnership agreement. This agreement would set out matters such as the way profits are to be divided, and the responsibilities of each partner. It is important to note that as a partner in a partnership you can end up being held liable for other partner's actions. Tax is payable at the partners tax rates on the profit that they are distributed. If the partners are individuals this can lead to tax being paid at up to 45% as with sole traders, and personal assets are again at risk.

Company

A company is a separate legal entity from its shareholders and hence can own property and operate a business in its own name. The costs of setting up and maintaining a company are the highest of the alternatives being outlined. The main benefits of operating your business through a company are the flat 30% tax rate, and shareholders liability being limited to the value of their shares. The disadvantages are the limited flexibility in distributing income, and the inability to access the complete range of capital gains tax concessions. Therefore, when a company sells a capital asset it may end up paying substantially more tax than the other structural alternatives.

Discretionary Trust

When operating a business through a trust the trustee conducts the business on behalf of its members. A trust is setup through the preparation of a trust deed, and costs around 2/3rds the cost of establishing a company. The major benefit of operating your business through a trust is the flexibility in distributing profits. The trustee of a discretionary trust has complete discretion to distribute profits to any beneficiaries of the trust in any way they choose. These profits are then included in the beneficiaries tax return and they pay tax on it accordingly. Therefore by allocating profits amongst family members etc you are able to make use of those on lower tax brackets to minimize the total amount of tax being paid. A trust can be setup with a company as trustee, giving the benefits of limited liability.

There is no perfect structure to suit all situations. Thought needs to be given to your personal circumstances and trading environment, and professional advice should be obtained. The tax and asset protection benefits available through the use of an appropriate structure will in time far outweigh the initial costs involved.

Mike Doig is an accountant with CPD Accountants at Capalaba. Phone 3245 9966.



Business Profile – Chris Mahoney – Anasoft

Your books are in order...but what about your kitchen?

While we all sit back with Stone Consulting looking after our accounts, wouldn't it be nice to have someone or something organising our meals each day and our shopping each week? Well, when we had 4 kids under 5, we found it was a mandatory requirement.

It was quickly becoming crazy. Every day we were running around after the kids all day, then all of a sudden it was time for tea and nothing had been prepared or defrosted. On those rare days when had time to look forward to dinner, we found that we didn't have all the ingredients we needed and we would end up calling out for a pizza.

Knowing that this would happen, we often found ourselves buying more than we needed each week when we went shopping, then 6 months later, we were throwing out everything we hadn't used that was now unusable! Far from a satisfactory outcome.

We knew we had to do something, and being computer literate, we hit the Internet thinking we could get ourselves some software to solve this little problem. We must have downloaded 20 or more different types of recipe software, but most of them were too expensive or too complex to fix our simple problem. In the end we realized, if we wanted to solve our problem, we'd just have to do it ourselves.

Now we have 4 kids 6 and under and a wonderful piece of software called EzyEating. This has just made our eating and shopping an absolute breeze. Thinking back, it is quite amazing the difference it has made in our lives. With the single click of a button we can randomly generate our menu for a whole week. If we don't like one of the random selections, we can change it quickly and simply. From there, we print off a shopping list and menu and we are set for the week, all in about a minute!
We now save money when we shop, and only buy the things we need.

There is a new version of EzyEating about to be released that lets you record nutritional content about your meals as well as loads more features, but is still 'Ezy' to use.

Why don't you get your FREE demo today at <http://www.ezyeating.com>.

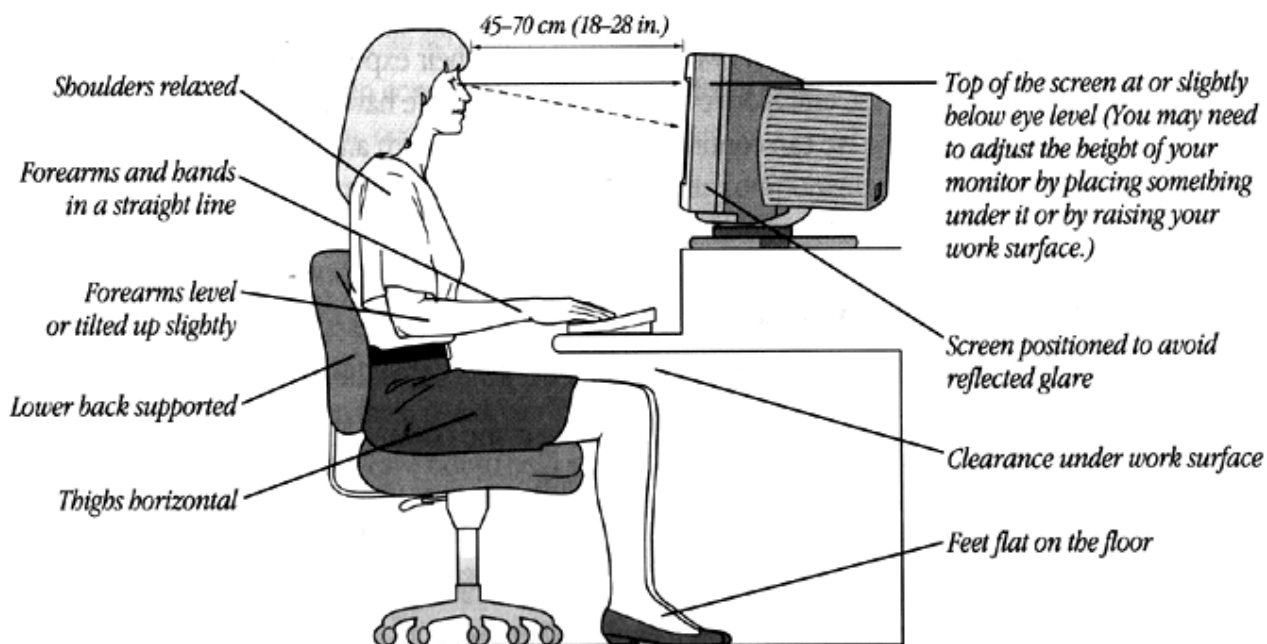
Let EzyEating organise your time too!

I personally have used this program. I am currently customizing 52 weeks (no it won't happen overnight – sometimes only 1 week at a time) of meals that our family eats. Our children are encouraged to cook one night a week and they also are submitting to me their recipes and I put it in there. This program is great I encourage you to take a look. Jill Woodruffe, Senior Consultant, Stone Consulting.



Ergonomics in the Workplace – by Jess Doherty

Whether you work in a hospitality establishment or an office environment, Ergonomics and Ethos are extremely important within any workplace. Ergonomics are the application of scientific information concerning humans to the design of objects, systems and environment for human use. Ergonomics also relate to organisational structures, policies and processes. It mainly relates to how your office is set up and how you operate within it. Things like having your screen slightly below eyelevel, shoulders relaxed, feet flat on the floor and having the screen adjusted to avoid glare.



Ethos in the workplace is relating to the Greek word meaning “accustomed to” which is divided into three sections; phronesis, arête and eunoia. These develop good interpersonal skills to work with different people in the workplace and in personal time outside of working hours.

Although interruptions are not the best thing to occur during the day at work, using good ergonomics, ethos and interpersonal skills, the problem could be solved quickly and efficiently with all the tools in range at your fingertips and your attitude and knowledge at hand. With these to elements used in the workplace, everything can be undertaken with ease.



Petty Cash – by Tracey Tolley

Businesses often need small amounts of cash known as 'Petty Cash' for purchases where it is not practical to make the disbursement by cheque.

The most common way of accounting for these expenditures is to use the **imprest** system. The initial fund also known as the float, would be created by issuing a cheque for the desired amount. For most businesses, \$100 - \$200 would be enough to last a month, but depending on the size of the business this amount may need to increase or decrease.

As expenditures are made, the Petty Cashier of the fund will reimburse employees and secure a petty cash voucher in return. At any given time the total cash on hand plus reimbursed vouchers must equal the original fund.

When the fund gets low the Petty Cashier submits the vouchers for reimbursement. Assuming the vouchers add up to \$80 and that the majority of expenditures were for office supplies, an \$80 cheque is issued and an \$80 debit towards office expenses is marked. Once the cheque is cashed, the Petty Cashier has cash at the original amount.

Having one person in charge of the petty cash is important because of the potential for abuse. Examples of petty cash controls include a limit (such as 10% of the total fund) on disbursements and monthly audits by someone other than the Petty Cashier. Due to the popularity of petty cash, you can purchase Petty Cash vouchers to use for reimbursement at any office supply store or larger newsagent. If you would like to know more about Petty Cash and how this should be recorded in MYOB, just contact us.

Accounting Terminology – by Jill Woodruffe

A few people often ask me what Retained Earnings are what is a Debtor. I thought I would take the opportunity to explain some basic Accounting Terms to help you understand a Debit from a Credit. So for the next 3 issues we will go through and explain some Accounting Terminology. I will start with the basics this time and in the next issue I will explain a few items you would see on a Profit & Loss.

Debtors or **Accounts receivable** are amounts that are owed to you by your customers or clients.

Creditors or **Accounts payable** are amounts that you owe to your suppliers or items that the business owes money on.

Accrual Based Accounting. When reporting by the Accrual method you record the income or expense when the transaction occurs. You may not pay for or be paid for the items at the time.

Cash Based Accounting: If you are reporting using the Cash method you only record the income or expense when you pay for it, which may be an entirely different period to when you actually purchased it.

General Ledger: The General Ledger is the accounting records of a business. It is the Assets, Liability, Capital and Income and Expense that the business keeps a record of.

Double entry Accounting: Every transaction has two entries a debit and a credit (this produces a Journal entry) If you sell something, your stock goes down but your bank account goes up.

Journal: This is the day to day entry of transactions. There are Sales and Purchases journal, cash receipts and Cash payments journal.

General Journal: General Journals are special transactions used to enter period end adjustments and closing entries that need to be entered manually.



Workchoice Legislation – by Dawn Meldrum etc

As everyone is now aware there is a new Workchoice legislation. Over the next 2 articles I will help keep you informed on what your requirements are.

Payroll Compliance To Do List

1. Identify what award or agreement each employee is employed under.
2. For employees covered by awards review the amount of entitlements, i.e. number of hours or days per year for each leave category.
3. Ensure that the payroll system is configured to accommodate the Australian Fair Pay and Condition Standard (AFPC) for annual leave, personal leave, carers leave and compassionate leave.
4. Review the payroll system to ensure compliance with employee hours of work and leave records keeping requirements.
5. Ensure that pay slips provided to employees are configured to meet Workchoice requirements.
6. Employees' payroll records should be credited with personal leave accruals dating back to 27 March 2006. This means 10 days "Personal Leave" instead of the old 8 days sick leave.
7. Review each employee's letter of engagement and ensure that no employee is required to work more than an average of 38 hours per week plus a 'reasonable number' of additional hours.
8. Ensure you have systems in place to monitor the record-keeping provisions for hours of work including start and finish times. Consider web-based timesheets and attendance to easily manage this obligation.
9. Make sure you can prove that you have the systems in place to monitor whether employees are averaging more than 38 hours per week plus a reasonable number of additional hours.

Salary Sacrifice – by Noreen Kummerfeld

Salary Sacrifice is an agreement between both the employee and employer, where the employer holds a part of the employees wage or salary to cover the cost of a benefit to the employee.

The benefits included in this are Fringe Benefits like cars, property, which can include goods, property (land & buildings) and shares or bonds & expense payments, including loan repayments, childcare costs, school fees & home phone costs. These benefits will incur FBT (Fringe Benefit Tax).

Then you have exempt benefits, these are exempt from FBT (Fringe Benefit Tax) these include payments for laptops or similar portable computers, this is limited to 1 computer per year per employee. Also exempt is a mobile phone or car phone as long as it is primarily for use in the employment.

The other benefit is for Superannuation. This is where the employee for-goes part of their wage to make personal contributions to a super fund.

Both the employee and the employer need to be aware of the implications upon entering this type of agreement.

The employee is required to pay income tax on the reduced salary or wages.

The employer may be liable to pay FBT on the fringe benefits provided.

Salary sacrificed superannuation contributions are classified as employer contributions (rather than employee contributions) and are taxed in the super fund under the tax laws dealing specifically with this subject.

Your employer may be required to report certain benefits on your payment summary.



Payroll Allowances Linking – by Amanda Chan

When you create a new allowance it's important to make sure that the linking is done correct so when it comes time for your Payment Summaries to be done there will be fewer problems. To create a new allowance firstly you need to ensure that you have a 6-xxxx Staff – Allowances code. If not, you need to create one and number it so it's with the rest of the Staff account codes. Once this is done you need to go to payroll → payroll categories, click on the Wages tab and then go to New. Enter in the name of the allowance and where it says "Type of Wages" change this to hourly. Then tick in the box "Override Employees' Wage Expense Account" and select the 6-xxxx Staff Allowances code.

Wages Information

Wages Name: Type of Wages: Salary
 Hourly

Wages Information

Pay Rate: Regular Rate Multiplied by:
 Fixed Hourly Rate of:

Optional Account: Override Employees' Wage Expense Account
Override Account: Staff - Allowances

Help F1 Employee Exempt New OK

You then need to click on the Employee button and choose the employee's that are to receive this allowance. If you are setting up a Mileage Allowance then click on the Exempt button and tick PAYG Withholding as Mileage Allowance doesn't get taxed but most other allowances do. The set up for this allowance is now done, so click on OK and you can start paying your employees their allowance.



Setting up Long Service Leave – by Lizzie Julian

1. From the 'Payroll' Command Centre, click 'Payroll Categories'.
2. From the selected 'Wages' tab, select 'New'.
3. Enter the Wages Name as 'Long Service Leave' & ensure 'Hourly' is selected as the 'Type of Wages'.
4. Select 'Regular Rate Multiplied by 1.000' in the 'Pay Rate' section and click 'OK' to return to the 'Payroll Categories' list.

MYOB Accounting - [Wages Information]

File Edit Lists Command Centres Setup Reports Window Help

Wages Name: Long Service Leave Type of Wages: Salary Hourly

Wages Information

Pay Rate: Regular Rate Multiplied by: 1.0000
 Fixed Hourly Rate of: \$0.00

Optional Account: Override Employees' Wage Expense Account

Help F1 Employee Exempt New OK

5. To setup the Entitlement select the 'Entitlements' tab of the 'Payroll Categories' list and select 'New'.
6. 'Entitlement Name' will be 'Long Service Leave Accrual'. You can choose for the entitlement to accrue on a pro-rata basis or a fixed amount.
7. For employees that are paid on an hourly basis and you want the accrual to be a pro-rata calculation select 'Equals X% Percent of X'. As a general rule 'Gross Hours' should be selected in the 'Percent of' field. The percent that Long Service Leave accrues at is 1.6667% per week.
8. For employees that are paid on salary basis select the 'Equals X Hours per Pay Period/Month/Year'. Because hours worked are not recorded on pay cheques for salaried employees, a percentage of hours cannot be calculated. This method will accrue the number of hours you specify regardless of how many hours the employee worked. You can specify hours per pay period, month or year. If you specify month or year, MYOB will divide and calculate the amount that accrues on an individual paycheque based upon an employee's pay frequency.
9. Select whether the accrual should be printed on employee pay advices by selecting the appropriate box.
10. Ensure the 'Payroll Year End' option 'Carry Entitlement Over to Next Year' is marked.
11. In the 'Linked Wages Category' field, select the wage category 'Long Service Leave'.



12. To exempt categories such as Overtime from the calculation of the accrual select the 'Exempt' button, mark the categories you want to exclude from the calculation. Please note however general rule is that 'Long Service' leave accrues on everything except Overtime.
13. Select the 'Employee' button and mark the employees who accrue Long Service Leave.
14. Select 'Ok' to the 'Linked Employees' window and the 'Entitlements Information' window.

For assistance in entering Long Service Leave that employees have accrued before being set up in MYOB or any other queries you may have in regards to Long Service Leave please contact our office.

For the calculating of Long Service Leave you may find the following website helpful;
www.wageline.qld.gov.au .

New Staff Member – Julie Smith

Hello, my name is Julie Smith and I have spent my first month with Stone Consulting, it has been a very busy but great experience. I have been many years working in the Hospitality and Construction Industry. I have worked with MYOB about 8 years now. I enjoy challenges and will always give my 110 % to our clients. I am looking forward to being part of the great team at Stone Consulting.

Services We Offer – by Donna Stone

I was talking with a client (who's been a client for awhile) and he said "oh, I didn't know you did that" and it struck me that there is probably a few of you who don't know the full range of services that we provide, so here it is, if we can assist you in any of the areas listed below please be sure to contact us.



Bookkeeping	We do this on an ongoing basis or just casually, whilst perhaps your staff are on leave, or during a busy spell. It can be done in our office, or at your premises. Although we are bookkeepers, we can also provide secretarial support, so if you need help, just ask.
Software Reseller	As a MYOB Certified Consultant, we are also a MYOB Reseller which means we can often get your software and upgrades at discounted prices.
Setups	We can setup your data file for you, including the linking
Training & Support	We can train you how to do your own MYOB bookkeeping. Training can be done in your office or ours. We can provide support, via phone or email – you need never feel “alone”.
Customising	We’ve had years of practice customising MYOB templates; whether you need a sales invoice, statement or payslip. In current versions we can add colour and of course your business logo – so your forms need never looking ordinary or boring.
Help Fixing	Stuck on your bank rec and after doing it a third time, you still can’t find out why you are out? Email over your file and fax your bank statement and we’ll help you find the problem.
File Checks (Health Checks)	We review your file against a 25 point checklist and find for you what’s not been done correctly. It may be accounting related, wrong tax codes, wrong account coding or your method. We will tell you what’s wrong, briefly why and how to fix it. You do the fixes, so YOU learn and improve. It’s a form of ongoing training that ensures you have a “clean” file.
Reconciliations	We also provide is a “GST & Super Rec” in which we ensure that the GST and super liability accounts reconcile. The GST Rec isn’t a simple process, but it’s a valuable tool to ascertain if your GST has been over/under paid and to correct any anomalies.
BAS, GST & Payroll Compliance.	We are an ATO Registered BAS Service Provider. As a member of NIA and with the appropriate insurances and training, we can help you with your BAS. We are now providing an Electronic service, which means you may be able to lodge (and more importantly pay) your BAS 2 weeks after the standard deadline. If you are interested in this service, or switching to electronic BASes, just let us know.
Staff Solutions	Needing to recruit staff? We can help here too. Donna ran a private employment agency for 4 years and has been involved in recruitment and staff supervision for many years. We can do part of all of your recruitment process, from placing the ad, to screening, reference checking and then testing. We have two tests; one is a MYOB practical test (not easy, but it does sort the “wheat from the chaff” and the other is a psychological test, called an MBTI which tells us what type of person the applicant is. Are they a procrastinator, or have an eye for detail? For a bookkeeper, you would definitely want the later, not the former!
Retail Manager	We have an RM Consultant who can come out and help you with any RM issues.
Business Process Improvement	If you want help with your business systems, just ask – we’re happy to help. The Team at Stone Consulting has over a 100 years cumulative experience; whether it be how best to file, or setup your archiving, or checklists for employing staff, or keeping on top of debt collection.
Cash Flow Forecasts & Budgets	We can prepare cash flow forecasts and budgets to assist you with managing your business better (and your cash better).
Management Reports & Accounting Interpretation	We can provide you quarterly figures, plus an analysis of how you are going, including comments, suggestions (to improve) and a graph showing you a comparative performance. Need an “Accounting Interpreter” – just ask – we are approachable. We know that reading financial reports is sometimes difficult, let alone understanding them fully.
Payment Summaries	We have extensive experience (and practice) with the preparation of your Payment Summaries (Group Certs) including the rolling process after.
Year End Rolling	We can prepare your year end journals and help you roll your file.



If you have any issues or questions which you would like answered in the upcoming newsletter; please email your question to Donna directly. If you would like to unsubscribe from our Quarterly newsletter please send an email to jill@stoneconsulting.com.au and she will ensure you are removed from the list. Should you need any further assistance feel free to contact us:

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Happy Myobing from Donna and the Team!

Cheers

Stone Consulting - We'll keep your Myob rolling
and relieve you from the cost, time and stress of your bookkeeping!