



ACCOMPLISHED
ACCOUNTING SERVICES
WEALTH SOLUTIONS FOR SMALL BUSINESS

Quarterly Newsletter

December 2011



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Hi Everyone!

This year has absolutely flown by and Christmas really is just around the corner. There's not a huge amount to report for this December newsletter, but please have a read of the sections that are relevant to you.

Progress with Job List and Staffing:

It has been a challenging quarter, with being one accountant short for a number of weeks. However, the good news is we recruited Maria as our new accountant. Maria has been with us for 7 weeks now, and shows a great deal of knowledge and, much to my delight, is very thorough, so her quality of work is very high.

Ashley has been with us now for over 3 months and she is a whiz in many areas. Not only does she handle all administration issues with amazing efficiency, she has now started doing some quarterly BAS's and some individual tax returns. She will be starting a tax course in February, so we are very excited with her new career path. She also handles applications for risk insurances and managed funds. If you have any queries in relation to any administrative issues, please direct them to Ashley.

We are working very hard to get through as many jobs as we can before breaking for Christmas at midday on Friday 23rd December. We will reopen on Monday 16th January.

Early next week, we will make contact with clients who have jobs in the office to inform them of the status of their job. As always, we ask that you allow at least 4-6 weeks for us to get your job to queries stage, so if we received your job after 9th November, this may not be possible. However, we will be in touch to let you know.

We'd like to take this opportunity to wish all of our clients and exceptionally happy Christmas and New Year, and thank you for your support during the year.

Pay As You Go Instalments – December and subsequent quarters:

We often hear from distressed clients when they receive their December (or March/June) quarterly Pay As You Go instalment notice from the ATO, as they are shocked at the amount the ATO is requesting they pay.

There is often a reason for these quarters being higher than anticipated, so I'll do my best to explain. Where a tax return is lodged after the September PAYG instalment notice was issued, if your tax liability for the year just lodged was higher than the previous year, the ATO will increase the amount of instalments to be paid each quarter. However, as some quarters have already been issued, they will want to bring you up-to-date for the current year. Here's an example:

If for 2010, your income tax liability (pertaining to your business or investment activity) was \$10K, this would mean you would have been paying \$2.5K per quarter in PAYG instalments. However, if you have just lodged your 2011 tax return with a tax liability (pertaining to your business or investment activity) of \$15K, they will want you to pay \$3.75K per quarter.

But if you've already been issued and paid your September quarterly amount of \$2.5K, you are going to be short of where the ATO would want you to be, as at the December quarter, ie. the ATO would want you to be at \$7.5K, but you would only be at \$6.25K.

So for the December quarter, they will make an adjustment to the December instalment to bring you back up to \$7.5K for the two quarters. Instead of the \$3.75K, they will add the difference from the previous quarter of \$1.25K to the December instalment of \$3.75K, so the total amount for the December quarter would then be \$5K. Therefore, the total instalments for the two quarters, would be \$7.5K (\$2.5K for the September quarter + the \$5K for the December quarter).

Then for the March quarter, we'd expect a notice for \$3.75K, and another \$3.75K for the June quarter. This would make the annual instalments \$15K.

Obviously, where tax returns are lodged later in the year eg. after the December quarter notice has been issued, the adjustment has the potential to be much higher. So the earlier you can lodge, the less shock you might receive when you get your next quarterly instalment notice.

Education Tax Offset:

Please remember to keep all of your receipts for your children's education expenses as a new school year will be starting in a couple of months. Eligible expenses include books, materials, internet, computer and printer supplies, stationery etc. The exciting news is that from 1st July 2011, school uniforms are also eligible for this offset. This offset is available to families who are entitled to some Family Tax Benefit Part A.

Super fund members in pension phase:

If you are currently in pension phase with your super fund (or planning to move into pension phase), you may wish to consider making the pension a 'reversionary' pension. This will ensure that your surviving spouse will continue to receive your pension in the event of your death.

If a pension is not reversionary, the pension ceases upon death and there is the potential for the tax exemption for funds in pension phase to cease. This could mean that the fund assets that are sold to pay lump sum death benefits could attract capital gains tax. Furthermore, any income earned by the fund on the deceased member's entitlement between the date of the member's death and paying the benefit will also be subject to tax in the fund. To ensure that the fund retains its tax exempt status upon the death of the member, their pension must revert to the surviving dependant.

For self-managed super fund clients who are in pension phase, or will be entering pension phase, we can prepare the necessary documentation to effect the reversionary pension, so please discuss this with us. For 'pension' clients who have normal super funds, you should contact your super fund to discuss this issue.

We have provided this content as general information only, so if you require advice in relation to this matter, please consult with a financial adviser.

Cash economy:

The Tax Office continues to step up its focus on the cash economy by concentrating on tax agents who have a large number of clients in the 'cash' industries. The Tax Office expects tax agents to:

- Provide record-keeping assistance to their clients
- Use industry ratios/benchmarks to test the reported figures prior to finalisation
- Ensure that reported profits are in line with their clients' lifestyle

In a nutshell, they are requiring tax agents to make enquiries with clients as to how they account to cash transactions etc. So we wish to inform our valued clients that we now have an obligation to ask additional questions with respect to your business activity, so we are not trying to be difficult, but merely are adapting to changes in the Tax Office expectations.

We will also be comparing your business results with the ATO benchmarks and reporting these to you during the end-of-year process.

As always, we like to make ourselves available to assist business clients with their business needs, so if you would like us to review your record-keeping practices, we would be happy to do so. Please just make contact with us.

Important due dates:

Businesses should know that the due date for Business Activity Statements for the December quarter is February 28th, which allows for an additional month to facilitate the Christmas break. For employers, the due date for superannuation contributions to be paid for the December quarter is not extended and remains a January 28th, 2012.

Referrals & feedback:

We are always striving to improve how we do things, so please feel free to advise us of your feedback in relation to your experience with us.

Also, there is no bigger compliment than you being so pleased with our services that you refer your friends and family to us. Thank you to everyone who has referred someone to us. We really appreciate your support.

Conclusion:

Please don't forget to advise us when your contact details change so we can update the database. Email is the best method for communicating news, and we send a lot of emails to clients throughout the year, so please let us know your email address if you are not getting these.

Take care and see you soon! Sharni and the team

Disclaimer:

The information contained in this newsletter is general in nature and anyone intending to apply the information to practical circumstances should independently verify their interpretation and the information's applicability to their particular circumstances.