



The Peak Partnership
CHARTERED ACCOUNTANTS

EDITORIAL SUBMISSION

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How well will you travel this year?

Yes it is a new financial year and there are many critical activities you now need to attend to before moving further ahead with the journey down the road to success:

Finalising your 2006/07 financial statements

You have to know where you are before you can plan to move ahead. Find the “You are here” point on your map and work from there. Having a reliable and accurate financial picture of your business enables you to plan for growth.

Understanding how your business rates amongst competitors and against prior years’ results, through the use of industry-specific KPI (Key Performance Indicators) will assist in identifying areas of opportunity.

Think about your personal goals

As the driver on this journey, you need to be certain that this trip will help you achieve what you personally want as well. If it won’t, then you can change the destination.

Can you better align your personal goals with your business goals? If you can, then achieving the business goals will advance your personal goals. It gives you added incentive to strive for your goals.

Preparing your business plan for 2007/08

What is your planned destination by 30 June 2008?

Can you afford to take the journey? In other words, will the benefits of achieving the goal outweigh the costs and risks it takes to get there?

Do all your team members have a role to play and know how they fit into the bigger plan?

Getting your budget ready for 2007/08

What resources will you need to get there?

What milestones will you need to look for along the way?

We all need to have goals post or markers to ensure we are on track. Road signs that show us we are going in the right direction. By doing a budget you can have daily, weekly or monthly targets to aim for. Knowing that achieving at this level will progress you further to your ultimate annual goal.

Scheduling your staff performance reviews

Everyone on the journey needs to know the destination. This ensures that you are all moving and pulling in the same direction.

Do you have some people who may not want to go to the same destination that you’ve planned? Have you ever got on to the wrong bus? Is it time for some of your people to get off the bus you’re driving?

Organising your 2007/08 marketing; training and capital expenditure plans

These are the sub-plans that sit under and support your main business plan – like small planned side trips. They focus on key areas of your business and are aimed at helping achieving your targets for 2008.

Take action NOW

The new financial year is already here and happening.

If you haven't already done so, take the opportunity to "work on your business rather than in your business" and make time NOW to attend to these activities. Focus on what you want to achieve out of your business and map out the steps that will get you there. Explain your plan to your team and have them commit to help in achieving it. Monitor your progress on a regular basis and adapt the plan as your environment changes.

If you find the bus won't start or breaks down along the way, feel free to call The Peak Partnership – your business roadside assistance.

TAXATION ISSUES UPDATE

The Australian Taxation Office (ATO) and the Administrative Appeals Tribunal (AAT) have recently released a number of important updates relating to personal and business taxation issues. Here is a snapshot of the key updates.

Shareholder Loan Rules

The ATO recently released a Taxpayer Alert, which is intended to be an 'early warning' of high risk tax planning issues. This alert concerns the avoidance of the shareholder loan (deemed dividend) rules through Corporate Limited Partnership arrangements.

A Corporate Limited Partnership (CLP) is an association of persons carrying on business as partners or in receipt of ordinary or statutory income, where the liability of at least one partner is limited. For taxation purposes, a CLP is treated like a company.

Broadly, the shareholder loan rules apply to payments, advances or loans made by a private company to a shareholder or associate, unless certain exclusions apply.

The Tax Office's alert applies to arrangements where a CLP is interposed or placed between a company and its shareholder or associate. The CLP is interposed to prevent any loans being made directly from the company to the shareholder or associate.

Taxpayers should be aware that the ATO is closely examining such arrangements to determine if they contravene the shareholder loan rules and whether other anti-avoidance provisions may apply.

Capital Gains Tax – Main Residence Exemption

In a recent decision, the AAT held that a taxpayer failed to prove that a property they had constructed and used was their main residence and therefore eligible to concessional tax treatment on sale.

Broadly, any capital gain or loss from a dwelling is ignored for capital gains tax (CGT) purposes where it can be proven that the dwelling was the taxpayer's main residence throughout the ownership period, and was not used for an income producing purpose. If the property was used for an income producing purpose during part of that period, only part of the capital gain or loss is ignored.

The taxpayer purchased a vacant block of land intending to build a house. After the house was built, the taxpayer sold the land. Three months prior to the settlement, the taxpayer moved into the house, claiming it as their residence. Upon selling the property, the taxpayer did not disclose the capital gain, relying on the main residence exemption. The Commissioner subsequently assessed the taxpayer on the net capital gain contending that the taxpayer failed to prove that the property constructed was actually their main residence.

The Commissioner indicated that while there is no set definition of 'main residence' some factors lend themselves to provide guidance with respect to the definition including:

- the length of time the taxpayer has lived at the residence;
- the connection of utility services to the residence;
- the address to which mail is directed; and
- the taxpayer's address on the electoral role.

The AAT agreed with the Commissioner indicating that the taxpayer failed to prove that the property was their main residence.

Jointly Held Shares

The AAT has confirmed that where assets held in joint names are divided between the owners, Capital Gains Tax (CGT) will apply.

In this case, two brothers owned a parcel of shares jointly and undertook a transfer so that each could own half of the shares in their own right. The taxpayers submitted that CGT would not apply to the restructure of the jointly held shares as it was always intended that the shares were held equally.

The Commissioner argued that CGT did apply on the basis that the share register showed that each share was held jointly, and therefore a part disposal of each share was required to divide the shares between the brothers.

The AAT agreed with the Commissioner that CGT applied to the restructure, concluding that there was not sufficient evidence to suggest that the shares were not jointly held or not intended to be jointly held. Furthermore, the AAT found that no CGT rollover relief was available in relation to the restructure.

Peak Point: If assets held in joint names are transferred, the CGT consequences should always be considered.

Tax Compliance Tools

The Tax Office recently released three web-based decision tools to assist employers in understanding how to meet their tax and superannuation obligations. These tools include:

- an employee/contractor decision tool;
- a superannuation guarantee eligibility decision tool; and
- a superannuation guarantee contributions calculator.

These tools are well worth looking at for any small business operator.

ENDS

This article has been submitted by Damian Knoblanche, Partner of The Peak Partnership Chartered Accountants.

P: 07 3360 9888

F: 07 3422 0999

E: damiank@peakpartnership.com.au