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# TAX TALK

Summer 2009

Hi and welcome to the 'Financial Crisis Specific' Summer Edition of Tax Talk!

Well, what a year this has been! It seems that you can't open a newspaper or turn on the TV these days without another story about the global financial crisis and every week there is a new record drop in the stockmarket. In times like these it might seem that you are at the 'mercy of the market' and while that is true to a point, there are many things that are available both on a personal level and within your business to help you make it to the other side of this crisis relatively unscathed. This edition, whilst it might be our smaller, summer edition is still necessary reading to highlight things that you can be doing now to strengthen you for what still might be a bumpy ride ahead. So grab a pen and make plans now for what you can do to survive and potentially even thrive, within the financial crisis.

In November we saw Julie leave us for Italy and then University. Julie has been a fantastic member of our team and we wish her well.

We would like to welcome aboard Zoe and hope that you take the time to welcome her when you next call us.

### Avoid Your Own Cashflow Crisis!

Even without the current financial crisis, I talk about cashflow management in most issues of Tax Talk. That is because poor cash management has been the downfall of many businesses that should have been great successes. A cash flow budget helps manage borrowings, collection of debtors, payment of employees, creditors and owners as well as planning for investment spending. In the current economic situation if you don't have a cash flow budget you are 'flying blind' as you may not know what your expenses will be, what your break-even point is, how much do you need to make each month - and when to adjust your spending and marketing budget accordingly.

So what specifically can you do to manage cashflow? Some things include invoicing customers immediately rather than waiting until the end of the month, running credit checks on new customers, offering discounts for early payment, charging progress payments for longer projects and having a clear process for pursuing slow payers. Businesses can also help themselves by managing stock levels carefully, using the full terms of credit offered by suppliers, reducing discretionary expenses or finding more uses for under-utilised assets.

If you are struggling with business cash flow or do not have a cashflow budget please contact our office.

## Trim the Fat to Stay Healthy

In life we watch what we eat and if we are unwell we will ensure that we are eating more fruit and vegetables so that we build up our immune system. We should be treating our business and personal finances the same way. Now is the time to look at your business and personal situation to find those areas that are a drain on your resources and are stopping you from making sure that you stay healthy within the current crisis.

Some suggestions are:

- ▶ look at costs within your business to see if you can negotiate a better deal or consider different options such as VOIP software instead of traditional phone calls;
- ▶ look at your pricing to see if you are pricing appropriately or if you can unbundle services/products;
- ▶ analyse staffing levels as well as staff packages. In some instances it may be more cost effective and motivating to offer a lower flat rate and a bonus structure ;
- ▶ analyse efficiency within your business to see if you can do things smarter. Consider different options such as paperless solutions for offices or making sure that you or your higher paid 'professional staff' are not doing work that your admin staff can be doing.
- ▶ monitor your stock levels and purchasing to make sure that you are not overstocked
- ▶ look at investment assets to make sure they are being held in the most tax effective way and that you can continue to hold them for the long term. Consider a PAYG withholding variation if you are struggling with repayments.

...and then do something about those areas that you have highlighted as a problem! Plus as the share market stabilises and property prices continue to soften there may be bargains to be had, as long as you don't spend all

of your paypacket or as long as there is profit within your business.

If you need assistance in this area please contact this office for details about our Business Health Checks and how we can help you and your business stay healthy.

## Good news for those nearing or over 55

If you are nearing 55 or over 55 and are wondering how you are going to retire with all that is going on in the global markets – there is a way to boost your super funds. We will be holding seminars early next year for anyone over or nearing the age of 55 and still working to explain how taxpayers can save \$\$\$ of dollars by using the new rules regarding Transition To Retirement (TTR) effectively. Essentially it is a way of drawing from your super and salary sacrificing a large portion of your wage into super allowing you to be only taxed at a maximum of 15c in any dollar. If you have watched your super go down in the last year, this is a great way of topping it back up! For most taxpayers, if you are not doing this then in my opinion you are wasting your money.

Please call for information on TTR or contact the office to register for the seminar in the new year.

## Starting a New Business in a New Economic Climate

Have you started a new business or are thinking about starting one? Now, more than ever you need to make sure you start your business correctly. To assist you we have compiled a free New Business Kit which is full of checklists, tax and business information and helpful fact sheets. Contact Zoe at our office for a free kit to be posted to you.

## FBT and Christmas Parties

If you are not a tax-exempt organisation and do not use either the 50/50 split method or the 12 week register method for meal entertainment, the following may help you determine what the maximum you can spend on Christmas parties and Christmas gifts to avoid FBT implications. If you are unsure, please contact this office before you spend the money!

- ▶ Exempt benefits – the entire costs of Christmas parties are exempt from FBT if they are provided on a working day on your business premises and consumed by current employees.
- ▶ Exempt benefits (minor benefits) – a Christmas party may be a minor benefit and exempt no matter where it is held if the cost of the party is less than \$300 per employee and certain conditions are met.
- ▶ Gifts provided to employees – a gift may be a minor benefit and exempt if the cost of the gift is less than \$300 per employee and certain conditions are met.

Finally on behalf of my staff and myself, we wish you a blessed Christmas and a happy and joyful new year! **Please note that the office will be closed from lunch-time 24th December until Monday 19th January.**

I hope that you and your loved ones are able to take the opportunity to relax and unwind over the summer and look forward to welcoming in a fabulous 2009.

For more information on anything in this newsletter or for general accounting and taxation advice please contact  
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