CALLAUGHANPARTNERS
ACCOUNTANTS & BUSINESS ADVISORS
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Winter Newsletter 2014

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End of Financial Year

The end of the financial year is almost here, time to have completed all of your year-end tax planning.

Must say the cooler weather has been perfect for sitting inside and barracking for the Socceroos in the World Cup.

This Quarterly Newsletter looks at how the recent Federal Budget may impact you, and how revisiting your household budget each year can be a smart investment. If saving for a property is in your budget, remember to check the GST status of the property vendor prior to purchase.

We also take a look at how legislative changes such as the Privacy Act and the introduction of SuperStream may impact you and your business.

Whether you are a small business owner or entrepreneur, we can assist you in getting the most out of your business.

We hope you enjoy this Newsletter, and urge you to call for personal advice if there is any area that you need to discuss.

Federal Budget Update

The burden of returning the Budget to surplus seems to be firmly placed on consumers. So who is set to benefit and who will be crying all the way to the bank?

Budget 2014 winners

- **Businesses**. The company tax rate will be cut by 1.5% from July 2015 (though for large companies, this will be offset by a new paid parental leave levy).
- **Employers looking to hire older Australians**. With up to $10,000 in incentives for those hiring eligible workers over the age of 50.
- **Working women and couples planning children**. To gain the benefits of the paid parental leave scheme, with working primary carers eligible for six months of paid parental leave on full pay up to a maximum payment of $50,000.
- **Single Parent Supplement**. Low income single parents with children aged between 6 and 12 will receive a one-off payment of $750 per year.
- **Medical Research**. The government has announced it will establish the Medical Research Future Fund, set to eventually be worth $20 billion.
- Taxpayers with simple affairs. They won't need to file a tax return, with the ATO doing so automatically on their behalf.

Budget 2014 losers

- **Anyone who gets sick**. Australians who go to a doctor or get blood tests or X-Rays and are currently bulk billed will see an increase in costs from 1 July 2015 thanks to a new $7 co-payment (limited to the first 10 visits for concession card holders and children under 16). Non-bulk-billed patients will also have to cough up more – they'll be out of pocket an extra $5 per visit. Add to that an increase of $5 for medication covered under the Pharmaceutical Benefits Scheme (PBS) and PBS safety net thresholds that will kick in only after increased out-of-pocket expenses, and it's clear Australian consumers' health spending is on a sharp upward trajectory.
- **Anyone with a car**. The unfreezing of the fuel excise levy will lead to an increase in petrol prices twice a year, adding about two cents a litre to the cost of petrol from August.
- **University students**. Cuts to university funding, with caps on TAFE and University fees removed from 1 January 2016, the government's funding will reduce by an average of 20% at the same time, with students picking up the shortfall. Students will pay more interest on their loans (from the current 3% up to a maximum 6%) and will have to pay back their loans on a lower income.
- **Hospitals**. Spending growth from the federal government to hospitals will decline and a host of funding programs have been cut.
- **Pensioners**. Assuming the government is re-elected, from the next election, pensions will be indexed to CPI rather than wage growth.
- **Anyone counting on their super contributions to go up**. Freeze increases in compulsory superannuation contributions at a rate of 9.5% from 2014 to 2018.
- **Any individual earning above $180,000 a year**. Pay a 2% debt levy for three years.
- **Families on a single income above $100,000 and $150,000, or those earning below $100,000 but with children aged six or over**. They will no longer be eligible for Family Tax Benefit B.
- **School leavers with no plans to study**. Forced to 'earn or learn', and will have to wait for six months after they finish studying before they qualify for payments.
- **Unemployed people under 30**. Tough new criteria to qualify for the dole.
- **Public servants**. The Government has abolished over 230 programmes and closed or merged 70 agencies, bodies, boards, committees and councils, with thousands of job losses to come.
- **ABC and SBS fans**. The networks will have their funding cut by one per cent.

Budget Time for Your Household

Government Budgets are a financial plan for the nation, and they are a great reminder that the rest of us should have financial plans for our households.

Re-jigging finances and looking at where money is distributed can be an eye opening exercise – and it's one which can certainly help in the home. When it comes to budgeting, no one wants to cut back on the things they really love. If eating soggy sandwiches for lunch and switching from fresh to instant coffee doesn't appeal to you, here are some practical ways to get your finances in fine form.

7 tips to consider

Whether you're a renter, home owner or property investor, revisiting your household budget each year can be a smart use of time.

1. Re-visit and revise

If you've been lucky enough to receive a windfall or pay rise, or you've experienced a mortgage hike or unexpected bill, it's worth re-visiting your expenditure. When it comes to budgeting, the golden rule of thumb is to ensure your income is more than your expenses. A well-considered budget can make a world of difference and help you take stock of your funds and maybe even uncover some problem areas. Going over your finances with a fine-tooth comb can help you free up extra cash to put towards more important financial goals.

2. Get on top of bills

Have you looked at your utility statements lately? With busy lives and direct debit accounts set up to automatically pay bills, it's easy to be complacent about the amount you owe each quarter. By shopping around, you can get a competitive price on your electricity bills. You can use the savings to put into life's other big spends like school fees or paying down the mortgage.

3. Compare the market

Are you paying too much for your insurance or home loan? While you're on the budget bandwagon, review these costs to make sure you're getting the best bang for your buck. Like most things in life, when it comes to insurance and property loans you get what you pay for, so it's best to seek advice before making any big changes. If your situation is a little complex, it's worthwhile talking to an experienced mortgage and insurance broker about your needs.

4. Exit the rental rut

Are you looking to escape the rental rut? One of life's greatest satisfactions is being able to own your own home. If this rings true for you, turn it into a reality sooner by factoring this into your budget now. While owning a home is a joint venture with the bank, you won't be bound to them forever if you are smart about your loan repayments.

Australia has its lowest cash rate in 50 years, making home loan rates hard to resist. But don't stretch your finances too far. Just like warming up for a gym session, it pays to warm up for a home loan by being mindful of future rate rises and visiting a financial planner to help achieve this goal sooner.

5. Manage property properly

While it may be cheaper to manage your investment properties yourself, do you really have the time or the inclination? Include a quality rental property manager in your budget to monitor rental payments and assist in managing tenancy issues and maintenance needs. Remember, being an investor doesn't mean you have to be in a 24/7 relationship with your tenants.

6. Factor in hidden costs

It's important to set aside money for a rainy day as you never know when you might need it. Hot water systems break, ovens blow-up and roof tiles crack, so allow for this in your budget by allocating a regular amount into a mortgage offset account or sub-account so you don't get caught out when disaster strikes.

7. Allow for improvements

Want to update your great Aussie dream but don't want to spend a fortune? Most of us don't have the Treasury to lean on when it comes to home improvements so it's wise to give your renovation budget a sizeable buffer. Tackling large-scale DIY projects on your own can end up costing a lot more in the long run.

Whilst reality home improvement programs and magazines are full of great decorating ideas that won't break the budget, for structural changes, make sure you seek expert building advice and have constant communication with your project manager to keep your finances on track.

Property Transactions?

Make sure you check the vendor's GST details

Are you about to purchase some property? If so, you should know whether the vendor is registered for GST as this may affect your transaction. The ATO has advised that it has recently disallowed claims for input tax credits related to the purchase of commercial real property. In these cases, the ATO has noticed that the taxpayers and their agents failed to check that the vendor was registered for GST at the time of settlement.

For the ATO's advice and information about what to check for, visit their website.

However, the best source of advice will be your tax adviser who can help ensure you obtain necessary information about the vendor's GST status prior to your property transaction.

PRIVACY ACT CHANGES

What they mean to you as a business & as an individual

The Privacy Act 1988 (Privacy Act) protects your personal information. Personal information is information or an opinion that identifies you or could identify you. Some examples are your name, address, telephone number, date of birth, medical records, bank account details and opinions about you.

On 12 March 2014, changes to the Privacy Act commenced. These changes include a new set of Australian Privacy Principles (APPs), which set out how private sector organisations and Australian Government agencies, must handle your personal information. They also include changes to the way your credit information can be collected and used and new powers for the Office of the Australian Information Commissioner (OAIC) to resolve privacy complaints and investigations.

To comply with the new rules, most organisations that have an annual turnover over $3 million, and 'credit providers', will need to update their privacy policy and provide privacy statements. Amendments to the Privacy Act extend the concept of 'credit providers' to include businesses that allow clients at least seven days to pay invoices.

Under the new laws, entities have greater responsibility to manage information in an open and transparent way.

- They must have a clearly expressed and up-to-date privacy policy explaining what they are going to do with your personal information.
- They must explain the kinds of personal information they collect and use, what they are going to do with it, and whether they are likely to disclose it overseas.
- They must also say how you can access and correct your personal information and make a privacy complaint.

There are new rules about how entities can use or share your personal information to direct market you their goods or services. They are only allowed to do this in certain circumstances.

- If they do they must give you a simple way to ask them to stop.
- They must stop if you ask them to (remember to keep a record).
- If you ask them, they must also tell you where they got your personal information from.
- Entities are not allowed to use sensitive information for direct marketing, unless you have previously agreed to this.

For further details regarding the Privacy Law changes and how they affect you and your business, you can visit the Office of the Australian Information Commissioner website at **www.oaic.gov.au**

SuperStream Superannuation Update

SuperStream is a package of measures designed to enhance the superannuation system. Under the standard, employers will make superannuation contributions on behalf of their employees by submitting data and payments electronically in a consistent and simplified process.

Starting dates are as follows:

- If an employer has 20 or more employees (large or medium employer) – they must start using the standard from 1 July 2014.
- If an employer has 19 or fewer employees (small employer) – they must start using the standard from 1 July 2015.
- For a new employer (starting their business after 1 July 2014) or for an employer that grows to have 20 or more employees after 1 July 2014 – they must start using the standard from the first contribution date where they exceed the threshold of 19 employees.

'My employees are mainly seasonal – am I a small or medium employer?'

For the purposes of SuperStream, all employees at the start date of 1 July 2014 are counted in determining the size of your business.

For example if your business consists largely of seasonal employees – a mix of 5 full-time employees and 17 casual workers. You will therefore have a total of 22 employees at the start date and will be classed as a **medium to large** employer. Your SuperStream obligations start from 1 July 2014 and you have until 30 June 2015 to meet all the requirements.

If your actual payroll numbers fall below 20 employees at 1 July 2014, you will be classed as a small employer. Your SuperStream obligations start from 1July 2015 and you have until 30 June 2016 to meet all the requirements. This threshold really only affects your start date of your obligations under SuperStream.

By 1 July 2015, all employers – no matter what size – should be working towards full compliance with their SuperStream obligations.

It is important that employers affected by these changes understand their obligations and are able to meet the requirements. Call us if you need assistance to understand and meet your obligations.

For more details you can visit

www.ato.gov.au/Super/SuperStream/In-detail/Contributions/Employer-FAQs-Getting-ready-for-SuperStream.

SUPERANNUATION UPDATE

SMSF trustees have come out as winners in the budget revelation that taxpayers will be able to withdraw excess non-concessional contributions made after 1 July 2013.

This is according to the SMSF Professionals' Association of Australia (SPAA) which has praised the government on removing what it calls 'overly punitive outcomes'.

Until now, taxpayers could pay up to 93% on excess non-concessional contributions.

Jordan George, senior manager of technical and policy at SPAA said although the announcement is positive, there is still much work to be done.

'The government needs to work through the details of the proposal because the suggestion to allow taxpayers to withdraw earnings associated with the excess non-concessional contributions is likely to result in complex compliance requirements,' he said.

SPAA have also spoken positively about another of the superannuation budget measures, the decision to increase the Superannuation Guarantee (SG) rate to 9.5%, up from 9.25%. This new rate will be effective as of 1 July, but will then be frozen until 30 June 2018, before rising in increments of 0.5% to reach a 12% limit.

Mr. George said he's pleased superannuation members and employers will now have certainty about the rate, but the four-year freeze is not such great news.

'SPAA is disappointed that the SG rate will then be frozen for four income years instead of two as the government originally proposed,' he said. 'The move to a SG rate of 12% is an important measure in ensuring that Australians have adequate superannuation balances.'

Mr. George also reiterated that in light of the announcement that the age pension qualifying age will be raised to 70 by 2035, there now needs to be careful and considered debate about how the superannuation and social security system interact with this raise. 'Workers that are involved in physically intensive industries and those that sustain work-related injuries or are unable to work due to illness need to be catered for by a system with a higher age pension age.'

Small Business – Your Marketing Advantage

Every day we are deluged with millions of dollars' worth of advertisements from major corporations. The best ones build brand awareness and help drive sales, but they are lacking a powerful personal touch that turns customers into advocates. Because of this, small businesses that have just a fraction of the budgets of their larger competitors actually have a marketing advantage.

How can small business grow through powerful-yet-inexpensive marketing?

Small businesses can give an exceptional 'wow' experience to each and every customer. They can build meaningful relationships and cultivate a unique personality as a small business - both important steps for retaining loyal customers as the business continues to grow.

Due to their sheer size, big companies have a harder time establishing this personal level of trust and dependability with customers. Additionally, small-business owners can do market research without needing a team of experts to investigate the customer experience. They can simply ask customers how they can better serve them.

As a small business grows, it is vital that they allocate and train staff to maintain these personal relationships. Hiring, training, and reinforcing the unique customer experience are extremely important to maintaining this marketplace advantage.

Most small-business owners do not realise the advertising power they have because they are not marketing professionals and they do not have the time, or the inclination, to try to do it all.

Owners can take control of their marketing by going online and talking with customers. It is important to stay focused. Build a permission-based email list if you don't already have one and focus on one social media. Start small and build from there.

Customers will always appreciate the authenticity that can go into a small business' customer programme. It just needs to be real. It's all about bringing a smile to the face of your customer.

Are You a Small-Business Owner or an Entrepreneur?

Small businesses are the backbone of this country. They create jobs, come up with new ways of doing old things, and help keep money in the local community.

Among those of us with small businesses, there's confusion between the terms Small-Business Owner and Entrepreneur. Both can have small businesses, but they have different styles of leadership and thoughts on running their business. One is not better than the other, they're just different. How do you fit in to these 4 scenarios?

Small-business owners	Entrepreneurs
Have a great idea…	**Have big ideas…**
They solve a problem in their community. They know their business and target audience. They know what will make their customers happy. They serve their customers.	They dream big. They think big. They come up with ideas that haven't been tested, diagnosed, or worked through. A lot of times they don't even know if their ideas are possible, which gets them even more excited.
Hold steady…	**Love risk…**
They like to know what's coming next and where it's coming from. They make calculated decisions where the outcome is clear. The result may not be huge, but it will typically keep them moving forward.	They step out on a ledge more often than not. They jump in with both feet knowing that if they put in their full effort, the risk will be worth it more often than not.
Think about the things they need to finish this week…	**Think ahead six months…**
They have daily and weekly to do lists. They manage employees, work with customers, network with new customers, and keep everything rocking and rolling.	While their team is thinking about what they're doing that week, they tend to skip the now and focus on the future of the company. They have people to manage the business, and if they don't, they soon will.
Are sentimental with their businesses…	**Are focused on scaling...**
They never plan on selling or handing their business off to someone else unless it's family. They like making the decisions and running the day-to-day.	They want to grow and grow they will. Although they may not focus on selling the business, they set it up to run without them. They surround themselves with experts while they end up being the rainmaker.

Australia needs small-business owners to hold the economy and entrepreneurs to propel it forward. One isn't better than the other. But the question needs to be asked: Are you a small-business owner or an entrepreneur?

Whether you are a Small-Business Owner or an Entrepreneur, we can assist you in getting the most out of your small business.

How we can help YOUR business

BUSINESS STARTUP

Perhaps you want to start a business. There are lots of things to consider in the way you set up your business.

- What business name can you use?
- Should you be a Pty. Ltd. company?
- Who should purchase your furniture? The business? The Trust?
- Do you need a trust?
- ...and so much more.

In order to maximise your tax advantage, protect your assets and more, talk to us about the right way to begin.

BUSINESS IMPROVEMENT STRATEGIES

Whether business is booming or struggling, we can analyse where your business is 'at' currently, and where it has been, in order to improve the way forward. We might discover that your cash is 'leaking' from surprising places.

COMPANY RESTRUCTURING

Company restructuring isn't only for times when a business is in strife, but can be the difference between business survival and the end of a dream. We can work with you to increase your business viability and profitability during the good times as well, ensuring your continued success through economic downturns. We might look at payroll changes, cost-cutting, sale of assets and more.

CASHFLOW MANAGEMENT

Are you having trouble making sure you have money in the bank for bills at the right time? Cash- flow management allows you to estimate the amount of cash that you will have available at any one time, and anticipate trends in cash inflow and cash outflow. It also helps evaluate whether a shortfall or surplus in cash might need to be anticipated. We can assist you with, or manage a monitoring regime for you to give you better control over your cash.

ACCOUNTING AND TAXATION COMPLIANCE SERVICES

At 'tax time', our accurate and intelligent tax return preparation can help you minimise the amount of tax you pay, while meeting your taxation obligations. A win-win outcome. We can assist you to pay the right amount of tax and get your funds ASAP.

SUCCESSION PLANNING

It is best to think about your succession plan way before you retire. You'll need to think about many important issues and this is definitely an area best not left until it's too late.

HAVE YOU FORGOTTEN TO LODGE YOUR TAX RETURNS?

This can become quite serious, but we are excellent at liaising with the Australian Tax Office. We can help prepare your returns, and smooth the path with the ATO, possibly even negotiating a payment plan.

If you are wondering if we can help, just call!