

BUSINESS UPDATE

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- ACCOUNTANTS
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BUSINESS UPDATE IN

BRIEF



PRIVATE STOCK USE



GST SPOTLIGHT ON BUSINESS ASSETS



04/05 COMPLIANCE PROGRAM



STRESS BUSTING

JUST FOR LAUGHS

The accountant's prayer:

Lord, help me be more relaxed about insignificant details, starting tomorrow at 10.53:16 am, Eastern Daylight Saving Time.

How do you know when an accountant's on holidays?

He doesn't wear a tie to work and comes in after 8.30.

INTERIM TAX PLANNING MAKES GOOD SENSE

Tax planning holds many benefits when it comes to minimising your tax liabilities.

It can be particularly cost effective to have interim tax planning completed in the second half of the year - say anytime from the end of March to the end of May. Trading results may then be reviewed and consideration given to any tax planning procedures which may be put into place to reduce or defer tax.

An additional benefit is to have accurate results available which may assist in making other business decisions necessary to improve the performance of your business.

Obviously there are additional fees involved but these extra costs are frequently more than compensated for in the reduction and/or deferral of the tax payable, and by giving you a clearer vision of where you are heading with your business.

If this additional service interests you, please talk to the Client Service Manager in charge of your work.

ATO TARGETS WORK-RELATED EXPENSES AND RENTAL CLAIMS

The ATO has advised that it will be focusing on work-related expenses and rental claims in 2004 year returns.

The following are some common rental property errors that can be avoided:

Claiming initial repairs - such as damage or defects that exist when the property was purchased.

- Claiming renovation costs as deductions for repairs - the ATO is investigating claims for repairs which are really capital improvements, such as remodelling bathrooms and kitchen and adding a deck or pergola.
- Properties that are not genuinely available for rent or are rented for only part of the year.
- Not apportioning interest to take account of private borrowings.
- Not apportioning travel expenses where a visit to the rental property is combined with a holiday.



DISPOSAL OF BUSINESS ASSETS UNDER THE GST MICROSCOPE

The ATO is seeking external data to cross-reference with its own internal data for the purpose of locating entities that disposed of capital assets and accounted for their GST liability incorrectly (or not at all).

External data will be requested from:

- Motor Vehicle registrars;
- State and Territory agencies responsible for the surveying of commercial vessels;
- Agencies responsible for the administration of land titles, sale of real property and sale of businesses;
- Financial institutions;
- Intellectual Property Australia; and
- Civil Aviation Safety Authority.

FOUR YEAR LIMIT ON GST REFUNDS

The ATO has issued a statement advising taxpayers that there is a four year limit to claim a GST refund.

The time limit for claiming a refund in relation to a BAS lodged in the September 2000 quarter expired on 30 September 2004.

Similarly, the time limit to claim a refund from the December quarter of 2000 will expire on 31 December 2004.



THE TAX OFFICE'S 2004/05 COMPLIANCE PROGRAM

The tax office has recently issued its 2004/05 Compliance Program, which can be found on the ATO's Website (www.ato.gov.au). It details the areas they will be focusing on in this financial year, including:

- Employers who fail to meet obligations such as pay as you go withholding, superannuation guarantee payments for their employees, and FBT;
"We will investigate all cases where employees tell us their employer is not making superannuation payments on their behalf"
- Large business and high wealth individuals;
- Capital gains tax;
- Rental deductions, including:
 - Expenses not being apportioned, even though the property is not available for rent for the full year or only part of the property is used to earn rent;
 - Deductions for legal expenses and other legal costs;
 - Improvements to properties being incorrectly claimed as repairs;
 - Large differences in claims of similar properties in the same area;
 - Work related expenses through tax agents; and
 - Tax agents whose clients are at a high risk of over-claiming.

They will be specifically targeting the following industries and occupations:

- Road transport
- Real estate
- Entertainment
- Airline
- Prison officers
- Financial advisers
- Travel agents

They are also examining high-risk cash economy industries, including:

- Motor vehicle retailing and wholesaling
- Tourism and hospitality
- Fishing
- Gold bullion, antiques and art dealing
- Horse racing and exports
- Property, building and construction
- Restaurant, café and takeaway
- Licensed hotels and registered clubs
- Barter



STUFF AND NON-CENTS

How do you drive an accountant completely insane?

Tie him to a chair, stand in front of him and fold up a road map the wrong way.

The accountant had just read the story of Cinderella to his four-year-old daughter for the first time. The little girl was fascinated by the story, especially the part where the pumpkin turns into a golden coach. Suddenly she piped up, "Daddy, when the pumpkin turned into a golden coach, would that be classed as income or a long-term capital gain?"

THIS COULD BE A GREAT FRANCHISE OPPORTUNITY...



TRADING STOCK TAKEN FOR OWN USE

The ATO has recently advised how it will value trading stock that is taken for private use by sole traders or partners in a partnership.

Sole Traders can use cost. The ATO also accepts cost where all the partners in the partnership take stock for their joint private use.

However, where some, but not all, partners take trading stock for private use, the Act states that the stock must be valued at market value, not cost.

Editor: This new interpretation by the ATO may create problems for some clients. Clients wishing to discuss it further should contact our office.

STRESS BUSTING WITH DESK-EXERCISE

When you sit throughout the day, tension can build up; muscles become tight and joints stiff.



It's a good idea to stretch periodically, and take a break to 'desk'-ercise away tension, increase flexibility and get your circulation going!

So why not de-stress, re-energise, jumpstart your brain, and work the kinks out of your body? Here's how:

1. **KNEE.** Pull one leg to your chest, grasp with both hands. Hold for a count of five and slowly release. Repeat with opposite leg.
2. **BACK RELAXER.** Bend down between your knees as far as you can. Return to upright position, straighten and relax.
3. **PECTORAL STRETCH.** Grasp your hands behind your neck and press your elbows back as far as you can. Return to starting position, then slowly drop your arms and relax. Repeat.
4. **SHOULDER ROLL.** Slowly roll your shoulders forward five times in a circular motion, using your full range of motion. Then roll your shoulders backward five times with the same circular motion.
5. **NECK.** Let your head tilt slowly to the left, then to the right. Slowly drop your chin to your chest. Turn your head to the left, return it to the normal position, and then turn it to the right.