

# Aplus

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## Welcome

**Welcome to the tenth edition of the Accru Plus client newsletter.**

In this edition, you'll find out if you're eligible to receive 'tax credits' on the fuel you use in your business and share our learnings from a non-profit wind-up. With Australians' confidence in superannuation at a low, we point out the tax advantages that still apply. You'll also read about a successful Cruiser builder who has grown from humble beginnings, and how you can start using social media in your business.

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# Fuel Tax Credits

## Get money back for your business

BY DANIEL ARNEPHY, ACCRU DANBY BLAND PROVAN, MELBOURNE

The constant increase in fuel prices over the past decade has seen a shift from large cars to small and a greater concern for fuel consumption and engine efficiency. While most of us are reducing our fuel consumption for both environmental and cost reasons, fuel is still an unavoidable operational cost for many businesses. Accru Melbourne looks at the tax breaks available.

The Australian Taxation Office (ATO) currently offers some relief to business operators who utilise fuel in their business operations in the form of 'Fuel Tax Credits' (FTCs). These credits essentially refund the tax/excise/duty included in the price of fuels used in the course of business operations.

In July 2008, the ATO effectively made FTCs available to more businesses through expanding its list of eligible activities. Although applicable for some time now, the expansion in eligible activities to claim back fuel tax credits was somewhat overshadowed by the government's tax break for capital investment in new business assets. However, it is of just as much significance.

Whilst the investment allowance permitted a once-off tax deduction, the FTC's are calculated at the same time as GST on the Business Activity Statement (BAS), meaning that the cash flow benefits are available throughout the course of the year.

### Who is eligible?

Taxpayers are eligible to claim back fuel tax credits if:

1. They are conducting a business and undertaking eligible activities
2. They register for FTCs
3. They use eligible fuel in their plant and equipment or vehicles in relation to that business
4. They are also registered for GST

### What fuels can you claim?

Credits can be claimed back on:

- + Diesel and petrol
- + Kerosene, heating oil, toluene, fuel oil
- + Mineral turpentine and white spirit

Regardless of activity or use, credits cannot be claimed back for:

- + Aviation fuels
- + Alternative fuels, such as liquefied petroleum gas, compressed natural gas, liquefied natural gas, ethanol, biodiesel

### Eligible equipment and activities

In most cases, it is the activity and the fuel that determines eligibility for credits rather than the equipment used. Fuel used in most equipment, tools, machinery and heavy vehicles is eligible. However, an important exclusion is fuel used in vehicles travelling on a public road with gross vehicle mass (GVM) of less than 4.5 tonnes. (for example passenger cars, small delivery vans or utes)

The range of eligible activities is now very broad and can include fuel consumption in the course of conducting a business engaged in:

- + Agriculture
- + Fishing
- + Forestry
- + Mining
- + Rail transport
- + Construction
- + Manufacturing
- + Nursing and medical
- + Marine transport
- + Wholesale/retail
- + Property management
- + Landscaping

For example, a nursing facility powering air conditioning with eligible fuel can claim credits back on their BAS, much the same way a landscaper would for using fuel to power bobcats, chainsaws or lawnmowers.

### Claiming the Fuel Tax Credit

FTCs are claimed back on the same BAS that reports the GST obligations of the business to the ATO. The credit is calculated under a self-assessment system and is based on the litres of eligible fuel consumed for the relevant period.

Broadly speaking, the formula is:

$$\text{Eligible litres} \times \text{applicable rate} = \$ \text{ claimed back}$$

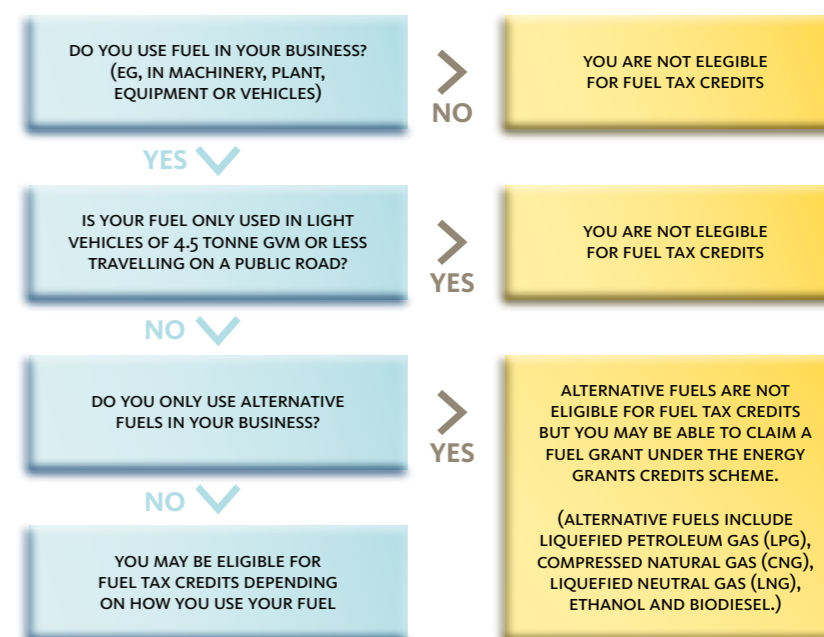
The credit forms part of the payment or refund for that BAS, where it will either reduce a payment or increase a refund. Rates vary depending on the activity and the fuel. They are currently either 16.443 cents per litre, 19.0715 or 38.143 cents per litre.

### Income tax still applies

Although effectively a cash refund from the Government, FTCs are not a complete freebie. Any FTCs received are included as assessable income of the recipient entity when calculating its annual tax liability. FTCs are also regarded as PAYG instalment income and thus are included in the calculation of quarterly income tax instalments if applicable.

For a comprehensive list of activities, rates and other eligibility criteria, refer to the ATO's Fuel Tax Credits For Business Guide (NAT 145840) available at [www.ato.gov.au](http://www.ato.gov.au). If you would like to discuss your eligibility, please contact your local Accru office.

## Can you claim fuel tax credits?



BY MICHAEL BURNETT,  
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## Lessons learnt from a non- profit wind up



Michael Burnett from Accru Hobart reflects on what he learnt from a recent non-profit wind up. These lessons can benefit board members and anyone in business, as well as other non-profits.

Every day when I used to come home from school my dad would ask "What did you learn today?" As a kid the answer would too often be "not much". In recent years my friend and client Mick Hawes said that the brain is always working, processing information and working on the thoughts we have. Often the thoughts are in response to questions like "why does this happen to me" or "why am I so unlucky". He proposes the two questions you should ask are "What's good about this?" and "What can I learn from this?" Answers to these questions give us powerful information moving forward.

With this in mind I was recently at a meeting for a non-profit organisation that was about to be wound up. There were many issues being raised and many different opinions about what should happen. On reflection there were many lessons for not only non-profit organisations and their board members but also for anyone in a small business. Here are a few.

### Keep a record of payments and assets

- + Always have a contract or written agreement for amounts to be paid to you from your business or non-profit organisation. This avoids confusion or debate later.
- + Always keep a detailed listing of the assets owned by you and a separate listing of the assets owned by the business. Knowing who owns what in a winding up is critical to avoid a litigious outcome.
- + Always document the commercial wage and show that as being paid – even if you need to pay it back to help the cash flow of the business.

### Pay attention to the details

- + Know what your not-for-profit constitution says about meetings, loans and procedures for winding up.
- + Be aware that as a member of a not-for-profit board or committee you are responsible for the proper governance of that body – be prepared to ask questions and act to protect the best interests of that association.
- + In any organisation, when cash is tight be aware that there are certain creditors/bills that have priority and that the organisation must avoid running up further debt.

### Create open channels of communication

- + Always keep the committee and advisors abreast of where things are at – don't play ostrich.
- + People will jump to their own conclusions – make communication clear and uniform and keep it flowing.

### Remember the market decides your organisation's value

- + Be prepared to negotiate – what the organisation owes the owner is not necessarily what the market will be willing to pay to take over the organisation.

### Don't rely on government support

- + Whilst government agencies love to help and be seen to be supporting community activities, they are slow bureaucratic beasts who are rarely able to move quickly with funding.

We all make mistakes, but it's the lessons we learn from them that count towards our future success, so keep asking "What can I learn from this?"

BY GARNETT HOLLIER,  
ACCRU RAWSONS, BRISBANE

## Superannuation: now is not the time to disengage



Superannuation remains the cornerstone of Australians' retirement savings, yet our trust in superannuation has continued to fall. Accru Brisbane considers the current backdrop to superannuation and reminds you of some of its key tax advantages.

### Australians lack confidence in superannuation

Research<sup>1</sup> conducted last year into our changing attitudes towards superannuation and retirement reported that:

- + Nearly one in five working Australians were unsure of the tax effectiveness of superannuation.
- + The number of working Australians who saw superannuation as a good, very good or excellent way to save for retirement fell from 80% to 62% (when compared to one year earlier).
- + 74% of working Australians aged over 50 expect they will not be financially comfortable in retirement.

The recent volatility of financial markets and continuing speculation about possible law changes have contributed to this sentiment.

### More change coming

Adding to the uncertainty, the Federal Government is in an election year and also undertaking a range of reviews into this area including:

- + The 2010 Intergenerational Report (Australia to 2050: future challenges) – delivered February 2010.
- + The 'Henry Tax Review' – due any day.
- + The 'Cooper Review' (The Super System Review) – due 30 June 2010.

With this backdrop of potential change, one could be forgiven for disengaging from the superannuation tax structure. However it still has many advantages.

### Why make use of the superannuation tax structure?

Allen Consulting research<sup>2</sup> found that a middle-income family with superannuation is better off by around \$116,711 over the life of the family than a middle-income family without superannuation. This is principally due to the concessional tax treatment within the superannuation structure.

If you have employees, ensuring that they understand their superannuation can deliver significant benefits for them (and you in terms of employee engagement).

When planning your own affairs, superannuation remains a key tax structure to consider given it has a maximum tax rate of 15% (and can be as low as nil). There are a number of strategies to potentially consider with your adviser including:

- + Making tax-deductible contributions to superannuation – The contributions tax of 15% that applies may be significantly lower than the tax rate that you would otherwise pay. There are 'caps' on how much can be contributed that have changed this year (and are changing again in 2012) which need to be navigated. The key change for this year is that the annual caps have reduced to

\$50,000 if aged 50+ or \$25,000 if aged below 50. There is significant tax penalty if these caps are exceeded (effectively taxed at highest marginal rate of 46.5%).

- + If you are over age 55, converting your superannuation to the tax-free pension phase (commonly referred to as Transition to Retirement Pensions), can provide significant tax benefits.
- + Superannuation co-contributions – These can result in the Government matching dollar for dollar your contributions (conditions apply).

### Rule changes are inevitable

Remember the 'Simpler Super' changes announced in the 2006 Federal Budget? Superannuation is not simple and the tax rules that apply have changed many times over the past 30 years. Total superannuation assets at June 2009 were \$1.08 trillion which is about the same as Australia's annual gross domestic product (GDP). Given this scale and the tax revenue at stake, future change to the rules is inevitable. However, the prospect of this should not preclude you from availing yourself of the many concessions that continue to be offered by the superannuation tax structure.

<sup>1</sup> Mercer (October 2009), Superannuation Sentiment Index Snapshot Report.

<sup>2</sup> ASFA (October 2009), Better living standards and a stronger economy: the role of superannuation in Australia.

# The Leeder story

From pleasure boats to swimming pools

BY GRAEME JENNINGS, ACCRU PAGE KIRK & JENNINGS, PERTH

From humble beginnings of backyard construction, this West Australian family-owned business has established a reputation for quality and innovation.

The Leeder story began over 35 years ago when founder Jay Piesse began constructing fibreglass pleasure boats in his backyard. Initially constructing the "Leeder 710", the stylish boats proved popular, and soon the company had acquired its own premises and expanded the range of boats. Leeder continued to grow, building recreational cruisers from five metres to seventeen metres, fibreglass commercial vessels and Government patrol boats. Leeder boats are now a common sight on Perth waters.

But it hasn't always been plain sailing. A misadventure into the construction of cray fishing boats in the late eighties almost led to the demise of the business. Jay received advice from his accountant several years earlier that he should secure the loan he had made to the operating entity by taking out a charge over the company. This advice proved vital in retaining control of the boat moulds enabling the business to continue.

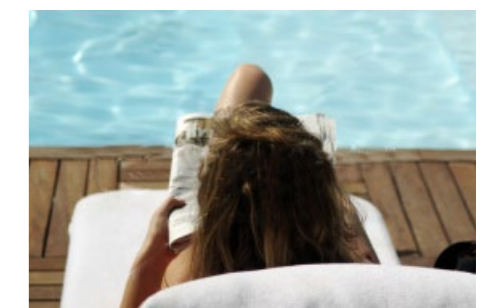
**In 1986, Jay introduced his son Murray to the business and together the boat building business was re-established.**

Boat building continues today, however in 2006 Murray contemplated a change of direction with the manufacture of fibreglass swimming pools. Similarities abound with the design, construction and marketing of boats and swimming pools, and having a flair for design is as relevant for pools as it is with boats. This realisation led to the inception of Leeder Boats sister organisation – Riverina Pools. The experience and expertise gained in the manufacture of fibreglass recreational cruisers has been applied to the manufacture of swimming pools.

Riverina Pools utilises advanced construction methods and products developed in the marine industry to produce pools that are above Australian standards and have a 35 year construction warranty. The swimming pool operation has thrived with a strong business ethic focused on quality and service. Owner Murray says "customers want a quality product and first class service but they also want their pools to look good". Murray added "having a skilled and dedicated team of people has played a vital part in the success of the business". Riverina Pools are sold throughout Western Australia and recently operations have commenced in Adelaide.

**Accru+ Page Kirk & Jennings have been the accountants for Leeder for over 20 years.**

"It has been very gratifying to see the business succeed" says Graeme Jennings, Partner at Accru. "It has been an excellent example of a business that has been able to adapt its innovation and processes to a new product range without significant additional capital expenditure." The Leeder story has been one of dedication, perseverance and innovation. We are proud to be associated with the Leeder group and wish them continued success into the future.



# Leveraging social media for your business

BY SUE MCLEAN, ACCRU FELSERS SYDNEY

With the Prime Minister now on Twitter, should businesses start getting more serious about social media? Used by millions globally, it can offer some low cost marketing and research opportunities for small businesses. If you're new to social media, below are some simple ways you can start to use it.

## Facebook

Facebook now has over 300 million users globally and offers a powerful platform on which to build a presence. Once you've signed up for Facebook, you should consider securing your company's name. You should also search for your competitors and evaluate their presence. What types of pages have they built? How many 'fans' or 'friends' do they have? You may want to create a 'Business Fan' page of your own. This is a page where customers or fans of your business can register as a 'fan', expanding the presence of your business (because your updates will flow to their pages).

## Twitter

Twitter has grown tremendously - more than 500% in Australia in 2009. As well as your personal account, Twitter allows you to reserve an account in the name of your business. While you may not necessarily want to tweet from a business account, you don't want your competitors to register your business name.

Once you've signed up, get familiar with the type of content available. For example if you are operating a gift shop business, search for various phrases like "gift shop"

"gifts Sydney". You should also search for your competitors' names and your own business name - your customers may already be talking about you!

## Blogging

Setting up your own company blog requires a long term investment of time and resources. A better strategy for beginners may be to participate on other blogs. Identify 2-3 blogs in your industry, or those that focus on small business, and get into the habit of regularly reading the content and participating in discussions. Wherever you can, try to add value by sharing a personal story about what has/has not worked for you. Get to know the writers - they can be valuable contacts for you.

## LinkedIn

LinkedIn is a business oriented social network for professionals with nearly 50 million users from over 200 countries. You should look at how your competitors are using the service and you might also look up your customers and connect with them.

## Google Alerts & Analytics

Google Alerts are free email updates from Google about any topic you're interested in tracking, such as competitors, your own company or other terms that are important to your business. Registering via [www.google.com/alerts](http://www.google.com/alerts) is easy. If you have a website, you can also use Google Analytics to receive free reports with useful information about your website traffic.

## A word of caution

While technology is making it easy to reach a worldwide audience, the possibilities come with potential liabilities. Any errors in communication will be amplified. Allowing employees to blog, tweet or post Facebook updates can be risky. Many large organisations struggle not only with employee conduct online, but also the security risks of social networking sites that are prone to exploits and malware. Every organisation should assess the risks and rewards they expect from social media and take time to work out what makes sense for their business.

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