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Welcome

Welcome to the fourteenth edition of the Accru Plus client newsletter

Inside you'll find a wrap-up of key tax facts & figures from the federal budget, as well as a few good reasons to keep an eye on your 'debtor days' and make sure you have a valid will. Accru Sydney shares the story of Groupon Australia, a client whose online 'daily deals' site is now the market leader in Australia.

2011-12 Budget Key facts and figures

BY DANIEL ARNEPHY
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The lingering impact of the GFC combined with floods and cyclones have created a \$16 billion shortfall in the Government's last two years revenue. As a result, the Gillard Government delivered a 'tough' budget to return a deficit of nearly \$50 billion to surplus in 2012-13. Daniel Arnephy outlines the key facts and figures.

Treasurer Wayne Swan's fourth Budget focused on ensuring Australia capitalises on the mining boom and avoids inflationary pressure, with measures aimed at improving productivity, increasing workforce participation and developing skills domestically, whilst still attracting skilled migrant workers to make up for the current shortfall in capacity.

While the economics are sound, a cause for caution is the Government's need to revise the revenue and expense figures in the next economic update due to the introduction of the Carbon Tax in two months time.

From a taxation perspective, there were numerous changes aided by some recommendations from the Henry Review but no major structural change to the system, perhaps owing to the upcoming Tax Summit scheduled for October 2011. Some of the more notable changes are outlined here.

Personal Income Taxes

For the first time in nine years there are no income tax cuts in the Federal Budget. Tax rates have actually increased in effect, due to the introduction of the one-off flood levy.

The design of the levy is that individuals with income between \$50,001 and \$100,000 will pay 0.5% on their taxable income above \$50,000. Individuals above \$100,001 will pay 0.5% on their income between \$50,001 and \$100,000 and 1% on their income above \$100,000.

Incomes below \$50,000 will not be subject to the levy. Exemption is also provided to those in disaster affected areas that received an Australian Government Disaster Recovery Payment. The levy will apply to both resident and non-resident taxpayers.

This has essentially created two separate income tax rate scales for individuals as shown in the adjacent table.

Other Personal Income Tax changes:

- + Low Income Tax Offset (LITO) remains at \$1,500, but children under 18 receiving 'unearned income' including investment income and trust distributions will not receive LITO.
- + Dependent Spouse Tax Offset (DSTO) phase out for taxpayers aged 40 or younger from 1 July 2011. Exceptions will include carers and invalids and taxpayers with children eligible for FTB B.
- + From 1 July 2011 tax law will be amended to disallow self-education expenses against all government assistance payments, meaning claims can still be made in the 2010/11 tax return if eligible.
- + From 1 July 2012 the Government will reduce HECS discounts as follows:
 - Upfront student contribution payment reduced from 20% to 10%
 - Bonus on voluntary repayments of \$500 or more from 10% to 5%

Family Tax Benefit (FTB)

From 1 July 2011 families will be able to advance a maximum of 7.5% of their total rate of FTB payment, up to \$1,000, to meet certain unexpected costs.

From 1 January 2012:

- + FTB Part A for 16-17 year olds in secondary schools increases from \$54.64 per fortnight to \$214.06 per fortnight (approx. \$4,200 per year)
- + For 18-19 year olds in school the rate will be \$3,741 per year
- + Lower the maximum age of eligibility for FTB Part A from 24 to 21 to align it with the reduction in the Youth Allowance age of independence to 22 from 1 January 2012.

The increases will only be available for families where their teenager is in full-time secondary study or the vocational equivalent.

Numerous indexation pauses have been applied to higher income limits for an extra two years until 30 June 2014, including the FTB Part B primary earner limit of \$150,000 and the Baby Bonus eligibility limit remaining at \$75,000 for family income in the 6 months following birth or adoption of a child.

Fringe Benefits Tax (FBT) – Uniform Statutory Formula rate

A significant change is being implemented for FBT and motor vehicles that is likely to impact the salary packaging decisions of many taxpayers.

- + The Government will phase in a flat 20% statutory rate for taxpayers using the Statutory Formula to value motor vehicle fringe benefits. This replaces the current multiple rate approach that results in lower FBT where kilometres travelled for the year are higher.
- + The operating cost method will still remain as an alternative, however this measure will impact taxpayers

who have salary packaged motor vehicles, particularly where they have high car usage during the year and are due to replace their car.

Unfortunately the simplicity of this initiative has been compromised by having the 20% rate phased in over a four year period, with the rate depending on when the contract for a vehicle is entered into. The 20% flat rate for all taxpayers will not actually come into effect until 1 April 2014. (See table below.)

The change is expected to enhance the Government coffers by \$954m over 5 years. However, there are also collateral environmental benefits by removing the incentive for unnecessary driving undertaken only for the purpose of reducing FBT.

Small Business

Measures for small businesses are an extension of previous budget announcements and are aimed at assisting cash-flow with a new upfront tax deduction on motor vehicles and a reduction in 2012 tax instalments. To improve efficiency in the tax compliance of small businesses, the upfront deduction is replacing the Entrepreneur's Tax Offset.

- + An instant tax write-off will be available for the first \$5,000 of any motor vehicle purchased by Australian small businesses from 1 July 2012. The remainder of the purchase price can be transferred into a general small business depreciation pool. This will affect the timing of acquisition of many new cars next year.

- + As a reminder, the Government's existing small business tax reform announced in last year's budget includes an immediate write-off of assets valued under \$5,000, a write-off of other assets in a single pool at 30% and a reduction in company tax rate to 29% for small business companies.
- + The Government will effectively defer the tax liability of many small business companies by implementing a reduction in tax instalment payments by \$700m in 2011-12. The PAYG instalment rate for 2011-12 will be set at 4% above the previous year's taxable income, being half the existing statutory rate. This will not apply to taxpayers using the instalment rate notified by the ATO, however in either case taxpayers can still vary their instalments if appropriate.

Superannuation

The Government has taken its first steps to remove pension drawdown relief implemented in the wake of the Global Financial Crisis and is continuing their concession to taxpayers aged over 50 with less than \$500,000 in superannuation. The first change to excess superannuation contributions has also been made.

- + From 1 July 2011 eligible individuals who breach the concessional contributions cap by up to \$10,000 will have a one-off option to request that the excess contributions be refunded to them and have them assessed as income at their marginal rate of tax.
- + The proposed higher concessional contribution cap for people

aged 50 and over with less than \$500,000 in superannuation will be set at \$25,000 above the general concessional contribution cap that applies to all other taxpayers. This will apply from 1 July 2012.

- + The phase out of the pension drawdown relief provided for the 2008-09, 2009-10 and 2010-11 financial years commences by reducing the drawdown relief from 50% of the required minimum payout to 25% for the 2011-12 financial year. This reduction applies to account-based, allocated and market linked (term allocated) pensions.
- + Income thresholds for the Government's super co-contribution will continue to be frozen for another year to 2012-13. The matching of after-tax super contributions of up to \$1,000 applies for (adjusted taxable) incomes of up to \$31,920 and ultimately phases out at \$61,920.

Please contact your local Accru adviser to find out how these changes affect your personal situation, or for more details visit the Budget Website www.budget.gov.au.

CURRENT TAX THRESHOLDS (NO FLOOD LEVY)*		2011-12 TAX THRESHOLDS (INCLUDING FLOOD LEVY)*	
INCOME	RATE (%)	INCOME	RATE (%)
0 – 6,000	0	0 – 6,000	0
6,001 – 37,000	15	6,001 – 37,000	15
37,001 – 80,000	30	37,001 – 50,000	30
80,001 – 180,000	37	50,001 – 80,000	30.5
180,000 +	45	80,001 – 100,000	37.5
		100,001 – 180,000	38
		180,001 +	46

*Excludes the Medicare Levy.

KMS TRAVELLED IN FBT YEAR	STATUTORY RATE (X COST OF CAR TO DETERMINE PERSON'S CAR FRINGE BENEFIT)				
	EXISTING CONTRACTS	NEW CONTRACTS AFTER 10/5/11	NEW CONTRACTS AFTER 01/4/12	NEW CONTRACTS AFTER 01/4/13	NEW CONTRACTS AFTER 01/4/14
0 – 15,000	26%	20%	20%	20%	20%
15,001 – 24,999	20%	20%	20%	20%	20%
25,000 – 40,000	11%	14%	17%	20%	20%
40,000+	7%	10%	13%	17%	20%

BY SAM FACY,
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Rising payment terms pose threat to SMEs



According to the latest Dun & Bradstreet figures, payment terms have risen to their highest in three years. Why are so many businesses thinking they don't have to worry about being paid on time?

Payment terms have risen 8% to 55.6 days in the March quarter. The new figure from credit reporting agency Dun & Bradstreet (D&B) is the highest in three years, and the second-highest in the last ten years.

A strong macro-economic outlook last year seems to have duped many businesses into thinking they didn't have to worry about being paid exactly on time. When the economy is performing well, businesses often think they can ignore cash flow as a pressing issue. In fact, business failures have increased over the last year and cash flow is a growing threat.

Large firms with more than 500 employees were the slowest payers – up to 58.5 days, from 55.6. Firms with between one and five employees saw their average payment days rise from 51.5 days to 56.6 days. At the more alarming end of the spectrum, the number of businesses paying their bills at over 90+ days has increased by 20%. Those paying at over 60+ days rose by 41%.

Causes of business failure

Business failures are often completely unrelated to the fundamental viability of the business – cash flow alone can be enough to cause insolvency, even if sales are strong, which is why late payments are a critical issue.

The new D&B figures confirm that chasing unpaid bills has become even more urgent, especially if debtors aren't being upfront. Chasing payment reasonably, but strongly, does not have to damage business relationships. You have fulfilled your part of the contract. You are entitled to expect that the customer fulfils their part of the bargain as well.

Three top tips for reducing debtor days are as follows:

- + Put payment due dates on your invoices – not just 14 or 30 days from the date, but the actual date when the invoice is due.
- + Allocate someone away from the billing process to chase debts (ideally someone who is charming and mild-mannered).
- + Don't get emotional. Be assertive and explain that you have to stop trading with someone who owes you money beyond 60 days.

The importance of clear information

If you don't have a clear picture, you can't make important decisions. A cashflow forecast is a vital business tool in managing your cashflow. It helps you to understand where your money is going, and the impact of late payments. It also gives you clear information on whether or not you can afford capital expenditure, or your own debt obligations.

If you're not already preparing them, you should also consider monthly or quarterly Key Performance Indicator (KPI) Reports. These provide up-to-date information on numerous business indicators, including debtor days and cashflow. Tracking performance more effectively allows you to take action early – which is critical when managing your cashflow.

For more information on how you can reduce your debtor days, improve your cashflow management or keep better track of the key drivers of your business, please contact your local Accru adviser.

BY GRAEME JENNINGS,
ACCRU PAGE KIRK JENNINGS
PERTH

Do you have a will?



The question often asked is “do you have a Will?” If you don't you should. Without a Will, your assets will be distributed in accordance with government rules known as the ‘Rules of Intestacy’.

Approximately one third of people in Australia who die do not have a Will, that is, they die intestate.

The legal framework for Wills is governed by each State. In the case of intestacy, reference is made to that State's Wills Act to determine how the estate will be divided, therefore you have no control over who will inherit your assets.

To ensure your estate is distributed in accordance with your wishes, the real question to be asked is “do you have a comprehensive, well drafted, up-to-date and valid Will?” A 'simple' Will may cause big problems.

A well drafted Will ensures your assets will pass to the beneficiaries of your choosing whilst minimising costs, time and the likelihood of disputes.

Your estate will consist of those assets you own at the date of your death and cash received after your death, for example, proceeds of a life insurance policy. However, a number of assets you control may not form part of your estate. These include:

- + Jointly owned assets – bank accounts, shares, real property (held as joint tenants not tenants in common). These assets pass to the surviving joint tenant.

- + Assets held within a family trust.
- + Superannuation death benefits in the absence of a binding death nomination.

If you have a Will that requires updating, the new Will should contain a revocation clause, revoking all previous Wills, if appropriate. It should be noted that marriage may revoke the Will you made when you were single.

It is recommended that the original signed Will be kept in a safe place and copies held by your executor(s), accountant and lawyer. It is essential that the whereabouts of the original Will is known to your executor. If the Will cannot be located, this may cause significant delays and additional costs in the administration of your estate.

Your Will can also be used to provide your beneficiaries with opportunities for tax effective and asset protective structures. This may be achieved through providing your executor with the discretionary power to use testamentary trusts. These vehicles may provide opportunities for significant tax savings particularly in the case of minor beneficiaries. A beneficiary's inheritance can be protected from family law claims and bankruptcy through testamentary trusts. Expert advice is required when considering the use of testamentary trusts.

As Benjamin Franklin said, “the only two certainties in life are death and taxes”. Please talk to your Accru adviser to assist you in considering your Will and how effective strategies can be put in place to ensure your assets can pass securely and tax effectively to your intended beneficiaries.

Wealthy people who have died without an up-to-date Will

- + **Howard Hughes** the founder of PanAmerican Airlines whose Will was proved a forgery and his estate divided among his 22 cousins.
- + **Pablo Picasso** whose estate took 6 years to settle at a cost of US\$30m.
- + **Stieg Larsson** a Swedish author whose estate was divided between his father and brother according to Swedish law and his life long partner of 32 years received nothing.
- + **Heath Ledger** who did not update his will after the birth of his child and everything was left to his parents.
- + **Jimi Hendrix** The battle over his estate raged for more than 30 years because it continued to generate money long after his death.

Click on down to Stardeals

BY REBECCA ZIZZO, ACCRU FELSERS, SYDNEY

In less than two years, Groupon has attracted 70 million users and expanded into 500 different markets, including Australia where Groupon has recently launched under the Stardeals brand. Accru Sydney shares the story of the company who is now considered one of the most valuable fast-growth start-ups in history.

The Group buying model

'Group buying' or 'Daily deal' websites allow masses of shoppers to command lower prices from retailers who can offer targeted specials to consumers via the internet. The model is simple. Sites partner with local businesses to offer discounts on a particular product or service.

With the surge of purchasing this creates, the thin profit margin normally associated with such offers due to the cost of fliers, advertising etc, is fattened by sheer non-paper volume. Consumers get a great deal and companies get access to a powerful marketing conduit to thousands of people. Groupon was the first site of this kind globally, and the concept has quickly spread around the world.

The Australian launch of 'Stardeals'

In February this year, Groupon launched in Australia under the Stardeals brand. As a fast growth business with no office in Australia prior to launch, outsourced accounting was the perfect solution for Groupon, and Accru Felsers, a leading provider of outsourced accounting to overseas subsidiaries in Sydney, was the natural choice.

Leading up to the launch Accru played an important behind-the-scenes role, setting up an online HR and payroll system for the growing number of employees across numerous states, and assisting with the back office accounting set up and alignment with the parent company's reporting requirements.

Accru also assisted with the set up of Recipient Created Tax Invoices and Treasury functions for the day-to-day business.

Unlike the vast majority of group buying websites which offer a long laundry list of deals on everyday items, Stardeals focuses on the best things to do, see and eat in capital cities. Each day, Stardeals' members in different cities nationwide get one great deal emailed to them. In Melbourne for example, today's deal is half off a Bollywood dance course, whilst in Sydney, the current deal is for 66% off a South Coast getaway. Besides these, they've also offered huge discounts on everything from restaurants to designer jeans. As the Stardeals website says

"We created the concept of an antidote to a common ailment for us city-dwellers: there's so much cool stuff to do, but the choice of what to do and where to go is overwhelming. By focusing on a few deals each day, we highlight thrilling experiences for you, your friends and your family. Think of us as the key to the treasure chest of what to do, see, eat and buy in your city."

Stardeals' win-win strategy

It's a win-win strategy for businesses and customers, but there has been one downside. Groupon's success has spawned a fair share of imitators. In just 12 short months, more than a dozen new group buying sites have been launched in Australia, all hoping to have the same level of impact.

However, data shows that a start-up might work for a while, but the companies with the biggest backers have been the winners. Investment in marketing and considerable expertise in social media to attract new users is also a key ingredient. As Groupon's CEO Andrew Mason said "Getting millions of subscribers is the difficult part. Throwing up a site and doing some deals, well, a lot of people can do that."

Accru's accounting and finance role has expanded more recently with the roll out of a worldwide accounting system, NetSuite, in Australia and New Zealand. Our Sydney and Auckland offices continue to provide taxation and human resources support as well as ongoing consulting services to the rapidly growing business.

What does the future look like?

As the web evolves along with consumer behaviour, the mobile experience is undoubtedly going to play an even stronger role in the future and Groupon intends to invest in this area. By continuing to innovate, Groupon aims to provide businesses with even better ways to offer great deals to consumers where and when they want them. Accru is excited to be partnering with Stardeals by Groupon Australia and we look forward to seeing what the future has in store for the global group buying market leader.

Visit www.stardeals.com.au for great deals in your city now!

STARDEALS
by Groupon Australia!



Mentoring in the Workplace

BY MELISSA McCRYSTAL, ACCRU RAWSONS, BRISBANE

A mentoring relationship is where a more experienced person assists another person to grow and learn. It is not new – since humans have lived in social groups we have learnt by the example and coaching of others.

In the workplace, it provides the opportunity for new employees to learn their jobs from existing more experienced ones, get support when they need it and give and receive feedback. It also enables one-on-one career development, assisting employees to develop their potential and demonstrate their strengths and ideas. Mentors benefit too by gaining a greater understanding of the issues experienced at lower levels of the organisation and learning fresh perspectives and approaches.

Mentoring happens in all organisations to some extent, whether it is fostered as a development strategy or occurs unconsciously. People ARE learning from others, adopting modelled behaviours and attitudes and absorbing the culture and perceived values of the organisation through their personal interactions with co-workers. Organisations may choose to:

- + Leave mentoring as an informal process, in which case it will operate randomly and its impact on individuals and the organisation will be left to chance

- + Encourage mentoring by providing an environment where mentoring is regarded favourably and it is accepted to take time for these activities
- + Develop a mentoring program tailored to the achievement of an organisation's specific objectives.

Businesses that have implemented employee mentoring programs say they can more readily recognise the talent and potential of their employees and develop their leadership skills. Mentors know when individuals are able to step up and take on more responsibility and this can lead to business owners being able to promote effectively from within.

You may like to encourage mentoring in your organisation in the following simple ways:

- + Discuss the opportunity for mentoring with new employees and match them with a suitable, more senior employee.
- + Encourage the mentor and new employee to discuss, over coffee or lunch, the skills they hope to develop. Remember the mentor can benefit from the addition of new ideas and enthusiasm too.
- + Be open to implementing any new ideas that come from mentoring discussions. Your team need to be confident that good ideas will be considered and potentially implemented otherwise the creativity that mentoring can provide will be stifled.

- + Measure and evaluate the employee's performance to ensure all parties are seeing the results that mentoring can bring. This can be done through effective delegation of work, setting meaningful goals and measuring outcomes in achieving them. Rewarding performance and goal achievement is also important to ensure motivation continues.

While mentoring employees can seem like a lot of work initially, all parties involved benefit. Mentoring your employees helps them perform better, improves morale and assists with staff retention. Mentors grow and learn through assisting in the development of others. The business owner reaps the ultimate benefit of a more productive, motivated and satisfied team who can help you deliver excellent service and ultimately benefit your bottom line.



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