

Issue Four - July 2011



Happy financial year from all the team at **harris black**! In this months edition we aim to enlighten you on some of the new tax legislations that have passed through parliament recently, as well as what's new at **harris black**. We also take a look at planning for the financial year ahead. As always if you have any questions or would like to discuss any of the topics in more detail please contact your **harris black** team member.

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## Do you know your Break Even Point?

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For any business owner it is vital to know when your business will hit the “break even point”, that is, how much revenue must be made so that all expenses are covered and actual profit begins.

A “break even” point calculation can be used to find where the profit really starts.

When performing this calculation it is important to consider –

- Variable Costs – these types of costs generally increase or decrease with changes in revenue, and are commonly incurred in direct connection to making a sale or providing service.
- Fixed Costs – these types of costs generally do not increase or

decrease with changes in revenue and are often incurred before you make a sale or provide a service. These types of costs may include the cost of using premises, support staffing costs and other overhead costs.

- Sales Revenue – what is it you expect to earn through sales.

Importantly this type of calculation will not only ensure that you understand when you are covering your costs, but also can be taken even further by considering the adequacy of overhead recovery and also to ensure that your sales price or rate per hour is appropriately set at the right levels.

For further assistance or to discuss your break even point please consult your **harris black** team member.

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## Introducing the “” for Brentnalls

Many clients have noticed that we have recently added some new inclusions to our branding including both the Brentnalls Alliance Membership logo as well as the logo of the Institute of Chartered Accountants.

Brentnalls is an accounting alliance, that **harris black** has been a proud independent member since inception 12 years ago. The alliance is built on mutual support of each members independence,

designed to create and deliver a positive outcome for clients. This strategic and supportive alliance allows us to facilitate business on a national basis, by sharing a broad spectrum of knowledge, ideas, education and information within the industry.

### The Brentnalls ‘edge’

Our alliance with Brentnalls provides us a unique way of approaching business that centres around creative thinking, strategic planning and goal setting. It furthers our ability to approach your business from a holistic perspective. And by keeping abreast of new developments in key areas

such as commercial transactions, taxation and superannuation, we can help create a competitive edge for your business too.

We are proud to announce that **harris black** Director Brendan Power has been elected Chairman of the Brentnalls Alliance, and we would like to thank Rick Albertini for his wonderful service as Chairman over the past 2 years.



**The Institute of Chartered Accountants in Australia**

Additionally we are also proud to promote our association with the Institute of Chartered Accountants. This association enables us to utilise our qualifications to improve our clients businesses and finances. Such an association equips us with the perfect blend of learned principles and practical application and allows us to maintain the highest level of education and knowledge in the ever changing world of accounting.

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## Harris Black now has a Facebook page

In order to maintain ongoing communication with our valued clients we have joined the ever growing fad of social networking sites. If you ‘like’ the **harris black** Facebook page you will be able to receive weekly updates on any legislative changes, reminders of key lodgement due dates and general commentary on what is happening in the world of business.



For those of you that don’t have a facebook page, don’t worry! You can still access the [harris black facebook page](#) here.

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## Reference and Police Checks

July is a popular choice for many Australian businesses to undertake recruitment for the busy year ahead. When considering an employee application it is important to always contact the referee and be specific in the questions that you ask.

- How long did the applicant work for your organisation?
- In what capacity?
- Does the referee care to comment on the qualifications and experience of the applicant?
- Would they re-employ the applicant in his/her former position (possibly the most important question).
- Was the applicant a team player?
- Did the applicant exercise initiative in his/her job?

Where most potential employers contact referees by telephone it is becoming increasingly common for business to utilise

Referee’s form that can be prepared and sent to a referee to complete. This style of form should produce more honest and in depth answers.

It is also recommended that a National Police Certificate (also referred to as a ‘Police Check’) be obtained from a successful applicant as a condition of employment. This will provide a national summary of an individual’s offender history.

For further information and aids for improving human resources in your business we recommend Workforce Guardian as a great software package to assist you with all aspects of the employment process and ongoing management of staff. For further information on Workforce Guardian or to discuss any issues relating to Human Resources in your business please contact your **harris black** team member.



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## Key Dates for Employers

### July 21

PAYG Summaries must be issued to employees

Payroll Tax-remittance is due for June and Reconciliation for the 2011 year.

### July 28

Superannuation: last date to pay required Superannuation Contributions for 2011 to avoid paying Super Guarantee Charge (this charge incurs penalties and amounts paid are not tax deductible).

### August 1

WorkCover – All payees – 2010/2011 Reconciliation Statement and Remittance due

Workcover reconciliations can also be completed online at the WorkCover website. Available at <https://internet.workcover.com/secure>.

### August 15

Payment Summaries must be sent to the Tax Office. Reconciliation due if not lodging electronically through your software package.

Date for lodging Superannuation Guarantee Statement and paying Superannuation Charge (if applicable).

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## Car Fringe Benefit Taxation about to change

A Bill has been introduced into Parliament to simplify the method for determining the taxable value of car fringe benefits.

Broadly, the change will introduce a flat 20% rate to replace the current method which, according to the Government, encourages people to drive their vehicles further than they need to in order to obtain a larger tax concession.

**TIP:** The changes affect salary-sacrificed or employer-provided vehicles. If you think the changes affect you, please contact your **harris black** team member.

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## Goods Taken from Stock for Private Use

The Tax Office has updated the amounts the Commissioner will accept for 2010-2011 as estimates of the value of goods taken from trading stock for private use by taxpayers in certain specified industries. For example, for a takeaway food shop, the Commissioner will accept \$2,970 (excluding GST) for each adult (or child over 16 years of age). Note that the Tax Office intends to adjust the values annually.

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## Low-Income Taxpayer Offset to End for Most Minors

A Bill has been introduced which contains changes to implement the Government's 2011-2012 Budget announcement to restrict access by minors (children under 18 years of age) to the low income tax offset. Under the changes, the ability of minors to access the offset to reduce tax payable on their unearned income (dividends, interest and rent) will be removed from 1 July 2011. The Government said the changes are designed to discourage income splitting between adults and children.

**TIP:** Income earned by minors from work will still be eligible for the full benefit of the offset. Unearned income of minors who are orphans or disabled, as well as compensation payments and inheritances received by minors, will not be affected by this measure.

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## Commissioner's Claim to Recover GST Refunded Not Out of Time

A taxpayer has been unsuccessful before the Administrative Appeals Tribunal in arguing that the Commissioner's claim to recover an amount of GST refunded was ineffective. The taxpayer had argued that the claim was made outside of the four-

year time limit under the tax law. However, the Tribunal found the time limit did not apply in the circumstances of the case.

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## GST and Tax Invoice Requirements

The Tax Office has issued a draft GST ruling which replaces an earlier ruling in relation to the minimum information requirements for a tax invoice and the circumstances of when a document can be deemed a tax invoice even when it does not meet all of the requirements. The draft ruling also sets out the application of the low value threshold for transactions for which a tax invoice is not required. Note the draft ruling maintains the same outcomes as the earlier ruling.

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## FBT Rates and Thresholds for 2011-12

The ATO has announced important FBT rates and thresholds for the 2011-12 FBT year that commenced on 1 April 2011. Some of the key rates and thresholds include:

- the benchmark interest rate is 7.80% pa (was 6.65% pa for the 2010-11 FBT year).
- the record-keeping exemption threshold is \$7,391 (was \$7,190 for the 2010-11 FBT year).

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## Personal Services Entities: ATO Takes a Closer Look

The Australian Tax Office (ATO) has announced that it will request and collect information on amounts paid to personal services entities by 39 labour hire firms, placement agencies and computer consultancies. Under the project – known as the Personal Services Income (PSI) data-matching project – data requested will include name and address details of the individual who is the main service provider to the entity. The ATO said it anticipates that records relating to approximately 100,000 individuals and entities who have received contract payments from the 39 entities will be matched.

**TIP:** If you are concerned this data-matching program will affect you, please contact your **harris black** team member.

## Land Sale Case Sheds Light On "Going Concern" GST-free Concession

In a recent decision, the Federal Court held that a supply (sale) of land by a taxpayer was not a supply of a going concern, and therefore was not GST-free. Although the Court acknowledged the taxpayer was in the business of property development, it found that business ended when the taxpayer decided to sell the land. Ultimately, the Court found the sale of the land was not a "supply of a going concern" as the sale did not supply "all of the things necessary for the continued operation of an enterprise".

**TIP:** For a supply to be considered a supply of a going concern (and therefore GST-free), various conditions must be satisfied. These conditions include the supplier supplying to the recipient all the things necessary for the continued operation of the enterprise, and the supplier carries on the enterprise until the day of supply.

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## Key Dates – July/August Income Tax

### July 21

For those that process their activity statements monthly, the June Monthly Activity Statement is due for lodgement

### July 28

Quarterly instalment notice for quarter ended 30 June 2011

Quarterly activity statements for quarter ended 30 June 2011

### August 21

Monthly activity statements for July 2011

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## Office News

We would like to announce and congratulate Nathan Gordon for his appointment as Associate and Nikki White for her appointment as Senior Manager.



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