

Newsletter Summer 06



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INSIDE THIS ISSUE:

FREE Book Offer	2
Website	2
Private Homes & Capital Improvements	2
KPI's—Key Performance Indicators	3
Structuring—Get It Right	4
Done your 2005 Tax?	4
4 Ways Business Growth Seminar	4
Profile: Heather Luke	4
Payroll Tax	5
Contractor or Employee?	5
Bookwork making you Sick?	6
Local v Out of Town Accountants	6

Cliftons—THE Business Specialists

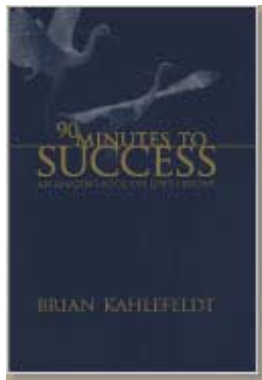
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Summer 2006 Newsletter



Our Appreciation for another year “90 Minutes to Success” FREE Book Offer!!

We have sponsored the printing of a wonderful book “90 Minutes to Success” that spells out the life and business values one Australian applied to build great wealth, happiness and purpose. Now he is using the wealth to build orphanages, hospitals and age care facilities for the homeless in Sir Lanka.

We want to express our appreciation to every one of **you**, our valued clients, for trusting us to do your work & for referring others to us. So we are giving a copy of this book, valued at \$22, to everyone that would like one; the only condition is that you commit to reading it a minimum of 3 times in first 6 months, for it's by emersion that change happens. Even if you applied only 3 or 4 points from it, it could change your life for the better.

Just call a Partner to arrange it.

www.cpaaccountants.com.au

Cliftons have brought to life a professional, informative and fully functional website to provide information and interaction with our growing client base. Our presence on the web will continue to grow as more resources and information are added to give you, our valued clients, an extra way to interact with us. Check out our informative business book reviews, tax payment dates, client tax return checklists and other excellent information. Send us an email on what your think, and bookmark the web site for future use!!

Private Homes - Receipts for Capital Improvement Keep them until the house is sold!

Although your private home is not subject to Capital Gains Tax, and you are not required to keep any proof of expenditure, what happens if in 10 years time you decide to buy a new home and keep the old home for rental?

When you sell the home it is subject to Capital Gains Tax for the period rented and you will need proof of Capital Costs to minimise the Capital Gains Tax payable. Bottom line? Keep improvement receipts just in case.

Payroll Tax for Wages over \$600,000 (gross) per year

The NSW Office of State Revenue has been picking up where businesses exceed the Payroll Tax wage level and have not registered for NSW Payroll Taxes, resulting in back taxes, fines and interest penalties. We assume they are picking up the non-registration from the Workers Compensation Declaration information, which they, as controllers of Workers Compensation, have full access to.

If you or you know others that have rapidly expanded their work force and may be paying wages exceeding \$600,000 per year (\$50,000 per month) contact us so we get in first and register for Payroll Tax and avoid the penalties.

A review and change of business operations and ownership may allow the 6% tax on the excess wages to be avoided - but corrective action is necessary before the problem occurs.

Contractor or Employee??

Whether a worker is an employee or contractor will depend on what they actually do and how they do it.

In an employment relationship, the employer has the right to issue instructions about how the work should be performed when instructions become necessary. For independent contractors, the level of instruction is usually more limited.

Your business needs to determine whether or not a specific contractor is, in fact, deemed an employee. Listed are some of the factors to look at; the more factors that indicate 'contractor' the better. Look at:

- Who supplies and pays for tools of the trade?
- Who determines the worker's hours, start and finishing times, days to work, etc?
- Is the worker taxed as a contractor or an employee?
- Who determines the delegation of work? Can they have another do the work?
- Where possible ensure payment is by result (e.g. the number of fence posts painted, rather than by way of salary or hourly rate)
- If they mess up a job, do they have to fix it unpaid? It would be good to have written proof that this has happened (e.g. a no-charge invoice)

- Do they have business letterheads and/or business cards? Do they advertise in Yellow Pages? This is very good evidence of their being a 'contractor'
- If they are employing staff, they're a contractor
- If business has high Capital Equipment costs (over \$80,000), its good evidence!
- If it is a Pty Ltd Company and has a Workers Compensation policy - then no problem - this is absolute proof.

Simple dos and don'ts

- Pay contractors only on receipt of an invoice with a valid ABN (it's your responsibility to check) and never withhold PAYG tax from a contractor's pay
- Never include any form of paid leave arrangement in a contractor's agreement.

Trusts must attribute a reasonable amount to working directors wages, or the whole amount of distribution may be treated as 'wages' for workers compensation purposes.

If in any doubt about the true nature of your contractors, seek our professional advice.

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Summer 2006 Newsletter

- **Sick of writing up a Cashbook?**
- **Can't face entering into MYOB or Quicken?**
- **Shudder at the thought of doing the BAS?**
- **Can't or Don't Reconcile your Cashbook?**

We want to help you, because unless a cashbook, written or computer, is fully reconciled to the bank all your hard work can be in vain.

Without being reconciled, the cashbook becomes virtually useless, and we have to start from scratch, using bank statements and cheque books. And this means more cost to you, which we try and avoid.

However a software programme, **BankLink**, is the most efficient time-minimising way to do your books. We get your bank statements in an electronic format into our computer system, thereby

greatly reducing the amount of information that otherwise has to be input.

We send you a printout of the transactions to code, which takes you about 15 minutes a month. From this we then do your GST/BAS returns quarterly, and in doing so we are partly toward doing the end of year tax work as well.

While, yes, you may end up paying higher accountancy invoices, depending on how poorly you did your books before, it saves you an enormous amount of time and you have the satisfaction of knowing everything is correct. This time can be better spent on the development of your business.

And now, for only \$22, BankLink comes with Invoicing, Debtors and Quoting, for those who are using other systems.

Call us to discuss how you can reduce your bookkeeping time and stress!

Also, visit www.banklink.com.au for some more information.

Why do many large businesses feel the need to use out-of-town Accountants, thereby robbing locals of employment opportunities?

A large new client, after taking advantage of our Free Business Review worth \$265 remarked **"I incorrectly believed I should deal with a Sydney or Wollongong accountancy firm to get the level of accounting and business advice and expertise needed for my rapidly expanding business. After using one of the largest Wollongong accountants I now realise "high accountancy fees does not necessarily equate to a high standard of expertise or service"**.

Now with us only 10 minutes away we often go to his business premises (where all the base information and records are available) saving him many hours travel each month to his accountant.

If you know anyone in this position, refer them to us and tell us you have, so they can benefit from a Free business review with THE Business Specialists!!



Members of CPA Australia

KPI's: Monitoring to Improve Business Profits

Key Performance Indicators

There is an old adage in business - what gets measured gets done

All business owners monitor their businesses performance to some degree, be it sales, gross profit %, cash at bank or time jobs take. But many only do it monthly, whilst some wait until the accountant tells them there is a problem, often many months after the end of the financial year, and well after the horse has bolted.

Key Performance Indicators (KPI's), if identified and used correctly, tell staff and management what to do to dramatically increase performance, or to curb unwanted problems.

To measure KPI's weekly, monthly or quarterly, misses the point of KPI's; such measures do not create change, improvement and growth – and are not KPI's. You should determine & focus daily on the two or three **critical** KPI's in your business (or work).

An example that can help explain KPI's is Lord King of Wartonby, who set about turning British Airways (BA) around in the 1980s by concentrating on one KPI. Consultants reported that he needed to focus on one critical success factor: the timely arrival and departure of aeroplanes.

Consequently, wherever King was, he was notified when a BA plane was delayed for longer than a certain time, say two hours. BA airport managers knew if a plane was delayed beyond 2 hours, they would receive a personal call from the chairman. It was not long before BA planes had a reputation for leaving on time.

A good KPI will affect most of the core critical success factors of the business. When a business owner focuses on a KPI and the staff follows, the organisation scores goals in all directions due to the flow-on effect.

An improvement in a key measure within the critical success factor (CSF) of customer satisfaction would have a positive impact on many other measures. Timely arrival and departure of planes gives rise to improved service by counter staff because there is less 'fire fighting' to distract them from a quality and caring customer contact.

Cliftons can help you determine your KPI's and other critical matters, working with you on your business to establish these and other appropriate business plans. This will allow you to determine and control your future and increase Profits and Value.

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Summer 2006 Newsletter

Business Structures

Things change, both in our business and personal lives. What was once the right “fit” doesn’t stay true for ever.

You should consider if a different business ownership structure would be beneficial (save tax, provide asset protection); check our web site on advantages, disadvantages and comparisons between:

- Sole Trader
- Partnership
- Pty Ltd Company
- Family Discretionary Trust
- Unit Trust

Alternatively, call our office to have information mailed, or to discuss with one our professional, friendly team.

Done your 2005 Income Tax?

There are still a number of our valuable clients that have not completed and lodged their 2005 Income Tax Returns yet.

With the March 22 deadline quickly approaching you should contact us to get your records to us to avoid potential penalties and interest, or simply to get that refund back in your pocket.

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4 Ways to Business Growth Seminar -March

Our next Seminar in Bomaderry on Tuesday 21st March (7:15 for 7:30 pm prompt start) explores

1. Different ways to Market,
2. Increasing customer spending
3. Increasing how often they buy
4. Operating more efficiently

Contact our office to book or for more information and/or to find out when it will be held in Bowral.

Our seminar “Harnessing The Power of WOW” presented by the dynamic Peter Pilt back in November, provided great information and insights.

We are also in the planning of other valuable and insightful seminars and presentations. Contact our office for details, or go online to visit our great website at www.cpaaccountants.com.au, and click through to the News page for seminar information.

Profile: Heather Luke

We have recently added Heather to our team at Bomaderry to increase our ability to service your needs. Heather has over 7 years public practice experience and is a specialist in various computer accounting packages.

We are committed to continuing to provide the **exceptional** level of service that has had you referring new business to us, and we trust that you will continue to do so.

