

FEDERAL BUDGET & HENRY TAX REVIEW

The May 2010 Federal Budget saw changes to come in over the next 12 months, with most changes due to be effective from July 1, 2011.

The main change that piqued interest is the "automatic" \$500 deduction for individual taxpayers. This is a deduction NOT a refund. So if you currently claim deductions of more than \$500, which is nearly all our clients, then this is of no benefit to you. It rises to \$1,000 from July 1, 2012 but again is a deduction NOT a refund.

The process becomes what is referred to as "tick and flick" returns; you just agree to what the ATO has and they do the calcs and send your refund.

The net medical expenses rebate threshold has also increased from \$1,500 to \$2,000, meaning you are more out of pocket before you get any money back in your tax return.

For more on the budget and Henry Review, visit www.cpaaccountants.com.au/2010_Federal_Budget_Henry_Tax_Review.html

Superannuation Contributions

Don't forget to get your contributions in for the 2010 year so they are RECEIVED BY YOUR FUND PRIOR to 30 June to get the deduction in this year.

The limits for personal contributions this year are;

Up to 50 years old	\$25,000
More than 50 years old	\$50,000

IMPORTANT : The \$1,000 co-contribution is available for people with incomes under \$61,920, reducing after income hits \$31,920.
DON'T MISS OUT!!!!

WINTER

2010

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"Pain is Temporary; Quitting lasts Forever"

Lance Armstrong

More on Super



In the last 2 years the federal government has been reducing the amount that can be contributed to super and a deduction claimed.

However, as part of the Henry Tax Review, superannuation contributions for those over 50 will go up from the current \$25,000 to \$75,000 from 1 July 2012.

Good to see the ability to plan for retirement being improved again, even if it is a couple of years away.

A NEW JOB SCHEDULING PROCESS

In preparation for the end of the financial year we have been reviewing how we operate to ensure we continue to provide you with the best possible service. As part of this review we thought it would be useful to provide feedback on the subtle changes we are making to improve the service you receive. These are detailed below.

Scheduling when your Financial Statements are Prepared

At Clifton Accountants we are starting to schedule when your financial statements will be prepared and then guarantee that they will be completed within four weeks. We need to schedule when your job is completed because a large number of our clients have a balance date of 30 June. As a result, during certain times of the year we have a large influx of work, meaning delays can occur during these periods. In order to manage this process, we will be scheduling all of our clients' work throughout the course of the year. This provides you with certainty about when we require your financial information and when your financial statements will be completed.

Four Week Turnaround

As part of scheduling our work we now guarantee a four week turnaround on your financial statements, unless otherwise agreed.

Please note that the four week turnaround starts from the later of:

- *The day your accounts are scheduled to be started OR*
- *The day all your records are received in our office.*

If, during the preparation of your annual financial statements we require further information, this information must be provided ***within two*** working days of our request to you for your guarantee to remain in place.

Record Keeping

You can help us complete your work as efficiently and accurately as possible by keeping your records in the best possible order. We will shortly be sending out to all our clients with a July required date the annual checklist. When you get this material please complete the annual checklist and file it with your records ready to bring in for a review by our Client Manager. This review by our Client Manager will help identify any missing information before we start preparing your financial statements and enable us to produce them more efficiently.

A Team Approach

Your main contact point with Clifton Accountants is our Client Manager. They are responsible for ensuring that your work is completed on time and accurately, and for giving you relevant advice. Your financial statements will be prepared by one of our Accountants, who will also be introduced to you. Your Accountant will be able to help you with any queries or problems you have in relation to the preparation of your financial statements or tax returns.

We trust the changes we are making will see us provide you with further improved service.



We would like to extend a HUGE thank you to all our clients for your support and friendship over the years and particularly the past 12 months. We really do enjoy working with you all, and look forward to a prosperous and exciting future working together.

MIMIMUM PENSION AMOUNTS

Given that it is nearing the end of the financial year, those of you with Self Managed Superannuation Funds (SMSF's) that are in pension mode should review what you have drawn from the fund as part of the pension to ensure you have met the minimum pension amount for the year.

The minimum's are age based using your age as at 30 June this year and are calculated on your opening balance for this financial year. The minimum pensions are;

Under 65	2.0%
65 – 74	2.5%
75 – 79	3.0%
80 – 84	3.5%
85 – 89	4.5%
90 – 94	5.5%
95 and over	7.0%

If you have not drawn your minimum by now, or will not as part of your withdrawal before the end of June, you should correct this before June 30. The consequence of not drawing the minimum is that the ATO may consider your fund no longer in pension phase so the tax exempt status of the earnings may be at risk.

INCREASING PROFITS

There are four key ways to grow a business. These are:

1. Manage the margin
2. Increase the productivity of the people
3. Control the costs
4. Improve the productivity of assets

Manage the Margin

You can manage the margin that you earn, which has a direct impact on the profits you earn.

Consider where you buy your products from, and whether a change to your buying habits can lead to better discounts.

You also always have the option of charging more, and also charging for services such as delivery and charging an admin fee on accounts which run over your stated payment terms.

These all have the ability to improve the margin that you earn, as you are already incurring the cost associated with some.

Increase the productivity of the people

How you manage your team for the most effective level of output is crucial to your success.

Think of your business like a bus, where each task or process is a seat. Do you have the right people sitting in the right seats? It is no good having the driver sitting where he can't see the road, and likewise the conductor should not be asleep. Think through the people you have and whether they are best suited to what they are currently doing.

Also, does everyone know where the bus is heading? This is asking if you have a vision for the business and whether this vision has been shared with all the "passengers". If the people do not understand where the bus is going it is hard for them to be involved and know what is trying to be achieved.

People are a most vital asset of your business so make sure they can be as productive as possible.

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Control the costs

Most people know to reduce expenses as an option to increase profits. The trick however, is to know which expense to concentrate on, and which to sort out later.

In business and personal spending people often spend hours analysing their expenses only to 'miss the wood for the trees' so to speak. For example, often telephone, electricity and even stationery expenses are scrutinized first when in reality any improvement will have a marginal impact upon overall profitability. Even a massive 50% saving, would only equal a 2.5% saving in total at best due to these expenses being small in the overall scheme of things.

The other 'error' is focusing on the expenses actually recorded when in fact the real costs are going unchecked because there is no measurement system for them. *What do we mean?*

In most businesses there is wastage of some sort. This may be product or space related but without a measurement system there is no 'expense' item on the business reports so they are not analysed.

One of the more common errors made when analysing expenses is to assume the expense is necessary or even valid or correct. This may include assuming all expenses paid for were in fact received or that an expense is still required. For example, the process of checking invoices to goods or services actually received is somewhat ad hoc, or equipment is being paid for that is rarely or infrequently used. Many suppliers rely upon these weaknesses and some even target them as a means of increasing their profits.

Are you prepared to throw away money?

Improve the productivity of assets

We can explore this strategy using an example. A business has determined that their wages and rent as a % of turnover are 10% more than the industry average. Say turnover is \$500,000 with wages 33% (industry average 30%) and rent 11% (industry average 10%). So in effect we could say the productivity of the assets (space occupied) needed to be improved.

So, how could the productivity of the asset improve?

We may analyse the situation further and find that sales per square metre of space occupied, or per employee, is considerably greater than the industry average.

By changing the layout or reconfiguring where various items are stored extra capacity or greater sales could be generated.

Don't believe it?

Have you ever noticed how the supermarkets always seem to have the milk and bread way down the back ... and whenever you rush into grab just one or two things you end up with an armful of items that you remembered you needed as you walked past them in the aisles? This is an example of improving the productivity of assets.

In every business there are assets; the space occupied (whether rented or owned), the equipment used, stock or even the intellectual property and 'know how' of the people. For each asset a different improvement strategy is required and in some cases more effort will be required.

CLIFTON ACCOUNTANTS

Suite 2, 6 Bunberra Street
Bomaderry 2541
P: 02 44215866

Suite 8, 409 Bong Bong Street
Bowral 2576
P: 02 4861 2811

www.cpaaccountants.com.au