

GRAYPE VINE NEWSLETTER

DECEMBER 2001



We extend to all our clients our best wishes for the festive season and would like to thank you for your support in 2001. We wish you and all your family and friends a happy and successful New Year.



Our office will close from Midday Friday 21st December and will re-open on Monday 7th January 2002.



Summer 2001/2002

Inside this Issue

- ✧ Alienation of Personal Services Income
- ✧ Are you claiming the correct GST Input Tax Credit?
- ✧ The Power of Priorities
- ✧ MYOB News
- ✧ The difference between "Saving" and "Investing"
- ✧ Government's Pre-election Promises

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Confidence! It is the key to success in an economy, in your business at home. It is a belief in the future; a belief that customers and clients will continue to buy, that a job is secure, that a bank will support you, that inflation is under control, that interest rates will remain stable, that taxes will go down and not up!

Confidence provides the strength to buy new equipment, employ new people and plan for the future. **Planning for the year 2002 is Gray Perry DFK's message to clients.** Plan for your business and your personal finance. It will provide the best opportunity to prosper during uncertain times. It will give you the confidence to succeed.

The team at Gray Perry - DFK wish you every success in 2002 and sincerely thank you for your goodwill. We look forward, with confidence, to working together in 2002.

The Gray Perry Team



*Left to right: Michael Ng, Rita Marrone, Brendon Skates, Jim Perry, Emily Morten, Louise van der Merwe, Frank Robinson, Alison Moyle, Michael Gray, Lynne Seggan
Absent: Brian Blunt, Kim Verrall, Adele Beck, Cris DeCandia, Doris Smith*

Tax Planning

Warning to client's contracting through their own company etc.

- Alienation of personal services income (APSI)

History

Legislation was introduced on 1st July 2000 targeting individuals who contracted their personal service via a Company, Trust or Partnership and gained what the Tax Office considered were unfair tax advantages.

The difficulty was in defining what was "personal services income" and the legislation was drafted in such a way that it impacted on genuine businesses. It was also overshadowed by GST and received little publicity.

Recent Amendments

The business community finally became aware of the far reaching impact of the APSI legislation earlier this year. The media highlighted the general confusion by way of examples such as Courier Drivers and Building Subcontractors who would be caught by the PSI rules if greater than 80% of their income came from one source. Following amendments to this "topical" legislation the Results Test now is the most important test if you are receiving personal services income. If you pass this test you can self assess.

How do you satisfy the results test

The requirements are:-

1. The work is for producing a specified outcome or result and payment is based on the performance of the contract;
2. The individual or personal services entity supplies the equipment or tools, if any, that are necessary to produce the result; and
3. The individual or personal services entity is or would be liable for the cost of rectifying any defective work and bearing the commercial risk under the contract.

The Commissioner will have regard to the custom or practice in the relevant industry when considering these requirements. The essence of any contract has to be to produce a result and not simply to work.

Characteristics of a Contractual Agreement to Produce a result

The well-publicised examples of Courier Drivers and Building Industry Subcontractors are commonly used as examples where there is an agreement to produce a result. Characteristics include;

- Contract is for a specific task or series of tasks
- Contractor maintains a high level of discretion and flexibility as to how the work is performed
- Contractor bears the commercial risk, rectifying faults, carrying their own insurance
- Equipment and tools necessary for completing the task are provided by the contractor
- Payment is on a performance basis rather than an hourly rate or award rate

What about "knowledge" Workers

Those subcontractors engaged in the IT or "Knowledge Industry" do not fail the results test just because tools of trade are not necessary to perform the work. If however they are paid on an hourly rate, it is difficult to see how the results test could be satisfied.

Are you claiming the correct GST Input Tax Credit?

We are finding the biggest problems for clients when doing their BAS is accounting for private use. Most businesses need to account for private use of a motor vehicle, telephone or power. For those clients using Cash Flow Manager it can be handled either at the time it is entered by apportioning the private portion to a drawings column or making the adjustment on the BAS.

It is very important to keep proper notes of how you have calculated your "Adjustment" because we must reflect these same adjustments in your financial statements at year end. If you are uncertain how best to do these please call us and we can provide you with a guide on what to do.



Business Planning

The Power of Priorities



There are two things that business people find very challenging: thinking ahead and doing things in order of importance.

Doing these two things makes the difference between success in business and just starving. And the same is true for all areas of our lives.

Leadership trainer and author John Maxwell says “thinking ahead and prioritising responsibilities marks the major differences between a leader and a follower.”

Most people have heard of the Pareto Principle, more commonly known as the 80/20 Principle. Roughly stated this says that in most businesses 80% of your business comes from 20% of your customers.

Other examples of the Pareto Principle are:

Reading	20 percent of the book contains 80 percent of the content.
Job	20 percent of our work gives us 80 percent of our satisfaction.
Products	20 percent of the products bring in 80 percent of the profit.
Picnic	20 percent of the people will eat 80 percent of the food!

So... when it comes to your priorities, 20 percent of your priorities will give you 80 percent of your production IF you spend your time, energy, money and personnel on the top 20 percent of your priorities.

When you do this you are getting a 400% or fourfold return in productivity. Think what this would mean in your business!

Every business person needs to understand the Pareto Principle as it applies to the areas of customers, team and leadership.

In the area of customers, it is vital to identify the 20 percent who account for 80 percent of your business. These are your “raving fans” and strategies must be put in place to care for them appropriately.

For your team, you must identify the top 20 percent producers. Spend 80 percent of your people time with these people to develop them to their full potential.

In leadership, take an honest look at the question “What do I have to do that no one else can do?” Remember a leader can give up everything except responsibility. You can decide whether you will be reactive or proactive when it comes to the use of your time. The question is not “Will I be busy?” but “How will I invest my time?” It’s not “Will my calendar be full?” but “Who will fill my calendar?” It’s not “Will I see people?” but “Who will I see?”

Do this and watch your productivity and personal satisfaction rise to new heights!

If you would like to learn more about how to grow your business call **ACTION** Business Coach **Peter Erskine** on **8221 6077**. Peter is located within the Gray Perry –DFK office and is able to provide an extended service to clients.



Computer & Financial Planning

MYOB News

We all reconcile our accounts at year-end but often forget to check our accounts at the end of each month. It is very important to reconcile debtors (receivables) and creditors (payables) and bank accounts every month. Often the debtors and creditors have an amount which is out of balance, and it is easier to resolve this problem in the month it occurred than leaving it till the year end. To check balances, print out a Payables Reconciliation (Summary) and Receivables Reconciliation (Summary). The "Out of Balance" amount at the end of each report should be \$0.00. If you experience any difficulties during the month end procedures, MYOB Support Notes on the Internet can help. The web site is:

<http://www.myob.com.au/support/notes/>

As well as backing up your MYOB data files on a regular basis, it is important to verify your datafile. By verifying your data you will avoid any inconsistencies or corruption. A good way to make sure this happens is in Setup > Preferences > Security. Tick the checkbox "check Data File for errors before the Backup Process."

When completing your BAS quarters remember to lock your work and do not go back and make changes to your data. In Setup > Preferences > Security make sure you tick the Lock Periods checkbox. Any adjusting journals can be done in the next quarter.

The difference between 'saving' and 'investing' is really about one thing: how hard is your money working for you?



Saving is simply putting aside some of your disposable income for a short-term goal, say a holiday or a car. Saving requires a conservative approach, taking very little risk with your money. A bank account or a cash management trust is usually adequate for you to reach your savings goal.

Investing, on the other hand, means putting your money to work. So you need to adopt a longer investment timeframe and a measured degree of risk. While a bank account may be suitable for short-term goals, history shows us it would have been totally inadequate to meet long-term goals such as funding your retirement or putting money aside for your children.

Why? Simply because the returns on your money would have been too low, especially when you take into account inflation and tax.

Within the offices of Gray Perry – DFK we have 3 independent Financial Planners who are able to assist clients.



Government's Pre-election Promises

Before its re-election, the Government announced various new measures which are applicable from 1 July 2002 (unless otherwise indicated), including the following:

- mothers will be entitled to claim a refund (spread over five years) of tax paid on salary or wages in the year prior to childbirth. The claim will be subject to an annual \$2,500 cap, and will be reduced where they return to work within five years;
- spouses will be allowed to split superannuation contributions, from 1 July 2003;
- there will be Government superannuation contributions for low income earners;
- the maximum superannuation and termination payment surcharge rates will be reduced from 15% to 10.5% over three years;
- there will be greater choice of and portability between superannuation funds (commencement date uncertain);
- a tax exemption will be provided for certain capital gains and foreign source income of expatriates resident in Australia for less than four years, from 1 January 2002; and
- venture capital limited partnerships with flow through taxation treatment will be provided for.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.