

GRAYPE VINE NEWSLETTER

June 2003 Issue

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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.

End of financial year pressures can put you under the pump.. Don't worry—we'll get you over the hump!!

Sunday 6th of April was a perfect day with blue skies for staff and friends of Gray Perry-DFK who took a leisurely stroll through the McLaren Vale wineries on camelback!



A message from the Partners

Change is the 21st century mantra. It is a fact of business and investment life that we must deal with all sorts of issues be they local, national or even international. South Australia is not immune to the economic effects of SARS, war, terror, slowing US economy - to name but a few.

How does one manage normal business issues and be able to adapt to the impact of world events completely out of our control?

Perhaps it is the right balance between having vision, good information networks, retaining a positive and pro active view and taking good advice. Gray Perry-DFK has spent

many years building our business contacts and developing products and services. These products and services are designed to help you manage change in your business and investment environment for the best possible outcome. In our newsletter you will find suggestions to help you plan your taxation. You will also find business products designed to improve your business.

In times of change—it is important to be pro-active and seek help and advice.

Let that be the mantra for the New Financial Year.

Happy New Financial Year from the Partners and team at Gray Perry-DFK

STS—Something to Sing About?

STS actually stands for began in July 2001. But work out why so few have concept.



Simplified Tax System, which guess what? The ATO can't taken advantage of this new

Yes, we know, *simplified* is not a word one credits the ATO as possessing in their vocabulary! *Ambiguous? Yes, but Simplified ?????*

The big news is that there **ARE** businesses who can benefit from entering the STS System and it's not too late for this tax year

- Is your average turnover less than \$1 million? (including all related entities)
- At the end of June will the closing value of your assets be less than \$3 million?

If you answered YES, then you are probably eligible (we can help you assess the additional criteria).

THE TYPES OF BUSINESSES SUITED TO STS ARE:

- * Those with high debtors (you can defer paying tax on this income because STS is based on cash accounting)
- * Those with frequent purchases of assets under \$1,000 (you can write these off immediately instead of depreciating them over the effective life) eg tools and furniture.
- * Those who prepay expenses up to 12 months in advance (prepayments are an immediate deduction to STS tax payers only) eg insurance, lease payments

Any assets with an effective life of less than 25 years will go into a *General STS Pool*. The depreciable rate is 30%, except for assets purchased in the current year (July 2002—June 2003) which are depreciated at 15%. As of July 2003 these assets will revert to 30%.

It is obviously a big advantage to purchase large assets at the end of the financial year, rather than the beginning.

COMPARISON—STS vs NON-STS DEPRECIATION

Bill buys a 4WD for his business on 28th June, 2003 for \$30,000

If Bill is not in STS, the standard depreciation is 18.75% for 3 days \$ 46

If Bill is in STS he can depreciate a flat 15% on \$30,000 \$4,500

Note: STS is not suitable for all taxpayers, for examples assets bought prior to September 1985 will lose their pre-CGT status. Please check with one of the partners if you think that your business could benefit from joining STS

Is it time to call the doctor? Introducing *Optimist 3000*



We are excited! At Gray Perry-DFK we have a powerful new diagnostic tool in our 'tool-kit'. Imagine this scenario.....

<u>Last Year</u>	<u>This Year</u>
XYZ Company	XYZ Company
Sales for year \$3.15 million	Sales for year \$3.5 million (increase of 11%)
	Net Profit \$165,176
	Cash flow (\$324,761)

XYZ have experienced some growth and have returned a net profit BUT in doing so have drained their business of cash—their cash flow was NEGATIVE \$324,761

By using new software *Optimist 3000* we can not only identify any significant problems within your business but also produce a number of different ways for you to fix the problem (s).

For example, if we look at the above example of XYZ Company, cash flow can be increased by \$330,000 by taking the following three steps:

- Debtors to pay in 50 days instead of 60 days
- Reduce the current stock level by 14 days
- Increase prices by 2%

Remember—if you don't have a 'finger on the pulse' and your business continues to grow, the cash flow problem will get worse!

We can also use *Optimist* to plot the future direction of your business, avert potential disasters, determine how hard the assets of your business are working for you and understand and control the key drivers of your business.

This is a fantastic tool for small business. The banks use it to review businesses for loan applications. Gray Perry—DFK can offer a review of your business at a fixed fee

Give YOUR business a shot in the arm... call one of our *Optimist* experts for a

Gray Perry Announcements:

Congratulations to Doris our part-time data processor and husband Roy on the safe arrival of Lara Jane Smith, sister to Zoe.. Mother and baby are doing well. Congratulations to Helen on winning the pool.



New Team Member

Glen Brewer has joined the Gray Perry team —Glen has been a principal in practice for more than 20 years. Glen will continue to service his clients with some added support from our team.

Bon Voyage

Frank and Ann Robinson flew off to New Zealand for a holiday prior to joining Michael Gray for the DFK Australasia Conference in Auckland.

Jim and Helen Perry are heading off on a European holiday of a lifetime. They will be spending time in Tuscany, Italy, France and Germany, where they will take part in the DFK International Conference.



ATO's 2003 Audit Hit-List



We have been warned that the ATO is gearing up for a much more active role in audit activities following extra funding from the government. The message from the Commissioner is clear, "This year one in ten business will be subject to some form of audit".

Specific Targets for Businesses

1. Superannuation Guarantee Obligations
Many employers have not been meeting their obligations (being 9% for the 2003 year). This is easy for the ATO to target by simply reviewing a business income tax return
2. Div7A Debit Loan Accounts
Loans to shareholders that remain unpaid at the end of the year are generally treated as assessable dividends (unfranked) to the shareholders or associates unless the loan falls within specified exclusions. Expect full blown audit activity in this area.
3. GST Compliance
Recently taxpayers around Australia have received questionnaires about disposal of capital assets such as cars, office equipment and business premises. It is proving so successful in recovery of tax that we can expect much more in the future. Be aware of your obligations when trading in assets, even pre 1st July assets are caught.
4. Cash Economy
A new strategy is to compare the performance of your business with industry standard ratios for gross profit, net profit. If you underperform you could be a target for investigation.

Info Links

Check it out!!

The revamped Gray Perry—DFK website is up and running thanks to David Gee of *Imagine Design Systems Pty Ltd* who patiently tendered to our many requests and changes.

To view the site: www.dfkadel.com

There are links to some useful websites and lots of info about the company and the DFK association.

Some of you may already be receiving our Newsletter electronically, there are past editions of various newsletter, more to be added shortly.

We have included a section called 'Diary Dates' in the News section where we will post up coming events such as seminars, ATO lodgement dates etc.

Your feedback is welcome—but...we're still flying with our 'L' plates at this stage!!

FIDO—Your Internet Watch Dog

Do you have unclaimed money sitting in super or old bank accounts?

Is that 'too good to be true' investment scheme actually legal?

Is that company licensed to give me advice?

How can I avoid phone scams?

How do I deal with debt collectors, court proceedings and repossession?

Answers to all these questions plus information on Managed funds, Superannuation, Money Management, Insurance and the all important Consumer alerts and Customer rights and much more are available at:

www.fido.asic.gov.au

