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## Important Dates

- 23 December 2010** - GTP closes for Christmas break at 5.00pm
- 10 January 2011** - GTP reopens at 8.30am
- 21 January 2011** - December activity statement lodgement and payment due for monthly payers
- 28 January 2011** - December quarterly superannuation due
- 21 February 2011** - January activity statement lodgement and payment due for monthly payers
- 28 February 2011** - December activity statement lodgement and payment due for quarterly payers
- 21 March 2011** - Income tax payable for some taxpayers CHECK YOUR ASSESSMENTS
- 31 March 2011** - Income tax returns lodgement date for high income earners

### CAN I CLAIM TAX DEDUCTIONS AGAINST YOUTH ALLOWANCE?

On 11 November 2010, the High Court dismissed the Tax Office's appeal against the decision to allow a taxpayer to claim expenses as a tax deduction against Youth Allowance.

The Tax Office argued that self-education expenses incurred by a student in relation to a course of study are not relevant and incidental to deriving youth allowance income, as they are incurred in gaining a qualification which will enable the student to obtain future employment in a particular field.

The Full Federal Court and now the High Court, have decided that someone who received Youth Allowance as a university student is entitled to a tax deduction for education expenses. The rationale for this decision was that the taxpayer would only be entitled to the assessable youth allowance to the extent that the taxpayer satisfied an activity test which required the satisfactory completion of at least three quarters of a full-time course of education study at an educational institution, and it was these requirements which necessarily required the taxpayer to incur self education costs.

This means taxpayers are legally able to claim tax deductions, and can go back and amend up to 4 years of previous tax returns.

BUT wait! The ATO is "considering their position" and will release guidance shortly. They may allow a blanket claim, they may seek a change in the Law so you can't claim...We recommend those who received Youth Allowance and had other taxable income to start gathering their past receipts for education expenses.



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[www.greentaylor.com.au](http://www.greentaylor.com.au)  
Featuring loan calculators, latest Business Newsletters, or to book an appointment...

### CONGRATULATIONS SUE & KERRY!

Recently Green Taylor Partners Director Sue Olston became a fellow of the Institute of Chartered Accountants which recognises her leadership, forward thinking and contribution to the accounting industry over the past 37 years.

To make the ceremony more special, Kerry Henderson received her graduation to a Chartered Accountant on the same evening—Well Done Kerry!

Sue first joined Green Taylor in 1974 and was mentored by Malcolm Taylor until his retirement in 1994. She completed her Business Degree by correspondence while working full time and then become a Principal of the firm in 1991. Sue also became a member of the Institute of Chartered Accountants in the same year.

While working full time Sue has managed to fit in having 4 children with husband John and has recently become a grand mother for the first time.

Sue is retiring from Green Taylor in June 2011 after 37 years. During retirement Sue is looking forward to enjoying travelling and spending time with her family.

We wish Sue every happiness for the future, thank her for her tremendous contributions to GTP over her accounting career and congratulate her on her Fellowship! A great achievement!



L-R: Cr Michael Ryan, Sue Olston, Kerry Henderson (who also received her CA on the night), Mr Malcolm Taylor (Sue's mentor), and Rohan Brown (current Director of GTP).



**TAX CONSIDERATIONS  
when preparing a  
BUSINESS FOR SALE**



In considering the sale of your business whether it be a retail operation, construction enterprise or farming business, there are a number of potential traps that must be carefully considered. In the sale of assets such as land and buildings, goodwill and intellectual property, you may have a liability for Capital Gains Tax. If you meet the definition of a small business enterprise there are significant concessions that can substantially reduce and even eliminate capital gains tax liability.

However these are very complicated and it is vital to plan carefully and well in advance of any sale contract.

Generally the sale of stock is taxable income and this must be considered and planned for. The sale of plant and equipment will be taxable to the extent the sale price is in excess of the tax written down value or when the balance of your small business enterprise pool is used up.

However there are strategies to assist to minimise taxation here as well but again planning is required.

Another strategy is to examine the operating structure and asset holding vehicle to determine whether any structural change is required.

If the asset is held via a Trust it is most important to ensure the Trust Deed is updated (particularly having regard to the recent High Court Bamford Case).

One must consider whether land and buildings will be sold— if they are retained but leased to the new owner there may be a considerable tax issue if the new owner pays rental in advance.

Primary producers in particular should watch out for the circumstances of selling land (may be subject to CGT), selling all their livestock (taxable income), the sale of their harvest proceeds (taxable income), and the clearing sale to sell their plant (taxable income—refer above).

Planning must be undertaken to minimise taxation exposure—it is typically too late after the end of the financial year.



Australian Government  
Australian Taxation Office

**ATO's STRICT NEW STANCE ON  
PAYMENT ARRANGEMENTS**

Beware! The ATO are now taking a much stricter stance on payment arrangements.

Should you default on your payment arrangement (by not lodging your BAS on time or failing to pay an instalment by the agreed date) the ATO can demand 50% of your current tax liability upfront, and will not allow you to enter into a new payment arrangement for the remaining 50% until this is paid. As you have defaulted, they also have the power to disallow you to enter into a new payment arrangement.

Please ensure your tax liabilities are paid on time, or if you are unable to pay, ensure you contact the ATO before the due date of the payment to advise them of your position.



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**EARLY TAX PLANNING FOR  
FARMERS**

If you can avoid bad weather and the locust plagues and are fortunate enough to have a large harvest for 2010 you need to give thought to the timing of the receipt of your income over the next twelve months.

If you anticipate your farming income to be significant from this harvest consider the possibility of using pools, on-farm storage or warehousing so as to legally push a portion of your income into the next taxation year (i.e. post 30 June 2011). By legally deferring the receipt of some of your taxable income you help to average the taxation income and this, coupled with other taxation strategies that you can then discuss with your accountant before 30 June will allow you to minimise your income tax liability.

However do not focus on the tax impact— one is always better to receive a good price now rather than defer the tax and receive a lower price later. Always make your decision based on sound business principles.

**LAST CHANCE FOR 50%  
INVESTMENT ALLOWANCE!**

If you are a “small business” and had committed to the purchase of new plant & equipment before 31/12/2009, you must have that item installed and ready for use before 31/12/2010 in order to claim the 50% Investment Allowance. Time is running out!



**FRINGE BENEFITS TAX &  
CHRISTMAS PARTIES**

Every good employer wants to throw an end of year Christmas Party for their wonderful employees! Unfortunately the ATO wants to get in on the party!

Technically a Christmas Party is subject to fringe benefits tax however in general terms, if the cost of the party is less than \$300 per employee then the provision may be a “minor benefit” and exempt from FBT.

Similarly, gifts provided to employees at a Christmas Party may also be deemed a minor benefit (and exempt) where the value of the gift is also less than \$300.

If the Christmas Party is deemed to be exempt from FBT the bad news is that the costs are not tax-deductible. The only way a Christmas Party will be tax-deductible if it is subject to FBT in which case the cost is automatically deductible but then you have to pay fringe benefits tax!

The most tax effective way to hold a Christmas Party is to hold it on your business premises, on a working day with only employees and clients attending, provide only finger food or a light meal and no alcohol— then the entire cost is tax deductible.

GST credits cannot be claimed for the costs of a Christmas Party held off the business premises which are exempt from fringe benefits tax.



**Watch your Credit Card!**

With Christmas creeping up on us, it is a good time to consider your credit card debt and attempt to keep it in check.

Set a budget for gift spends that you need to make and stick to it, then you are not tempted to overspend. And remember when setting that budget, it is the thought that counts, not the cost of the gift. Putting a bit more thought into it could save you money.

A good tip to remember when using your card is that if you can't afford it before Christmas, it is highly likely that you will not be able to afford it afterwards either. Think about the future financial demands you place on yourself by indulging in a holiday shopping spree.

Always keep well away from cash advances—they have a higher interest rate! Interest is charged on the amount from the very moment you withdraw the cash and the higher interest rate continues to be charged until all prior balances have been paid off. It is a very expensive way to get access to cash.

Remember Christmas is a time to enjoy with your friends and family, don't add undue stress by spending beyond your means.



**GET WELL!**

**Update on David Hadley**

We are thrilled to announce David is back at home and recovering well from his operation.

Thank you to all clients who have expressed their well wishes and thank you also for your patience as we have reallocated work within the office—David is very thankful for all the support.

We cannot wait to see him back in the office fighting fit early in the new year.

**BE PREPARED for the traditional tight CASH FLOW period after Christmas**



It's on again—the annual cash flow crisis that hits the Australian economy just after Christmas. Cash flow is notoriously tight through most of January and into early February, following the summer holiday break.

While many payments are affected by the fact that key staff are on holidays, reduced selling periods in December and January puts extra strain on cash flow.

Effectively it's a double whammy. Nobody's paying their bills because nobody's getting paid. Further, due to Christmas trading the business BAS, generally due on 28 January is usually a significant number.

Typically the fallout from this barren period can be seen in March, when insolvency numbers peak. Last year, there were 1,095 insolvency cases in March; the highpoint in what was a tough year for many small to medium sized businesses.

Many are expecting a similar story this year. March is always the worst time of the year because it all just crystallises.

So what can you do to survive the cash crisis? Planning in November and December is the best strategy!

Consider the following strategies:

1. Work the phones and make sure you are at least in the payment queue when the money starts moving again.
2. Target your bigger customers and better payers, and even offer them a small discount for prompt payment, just to ensure that you have something coming into the coffers.
3. Watch your inventory levels closely and keep spending on new stock to a minimum — "If you don't need to buy anything, don't do it!"
4. Try to understand the payment cycle of your customers. If they do a "payment run" and settle all invoices at the end of the month, call up and make sure you're in the queue for January.
5. If you are worried about the solvency of a particular customer, do your utmost to get paid before the March insolvency spike.

If they don't pay, consider putting them on stop or threatening to put them on stop.

6. If you can avoid paying a bill before mid February, do it—and use the same excuse that everybody is using.
7. Financing options such as factoring or invoice financing are an option, but you will need to wait to get these transactions processed. A financing facility of \$250,000 takes two to three weeks to arrange, longer for bigger amounts.

This time of year is just very uncomfortable for Small to Medium sized business. It is essential to chase anything that can be paid and get those paid as quickly as possible.

**CAVEAT EMPTOR—LET THE BUYER BEWARE**

Apparently the latest savvy financial snapp-ups are investment properties in America. Aussie spruikers are luring investors to buy a house in the US for as little as \$50,000 and rent out for \$200 per week, equating to a 20% return on your investment.

Sounds too good to be true? Yes, it is yet another scam!

Right now interest rates on home loans in America are half a percent. That means an American family can borrow \$50,000 and pay \$250 a year in interest. Why, then, would the same family pay \$200 per week in rent when they can buy the property for a far lower payment?

To date some Australians have bought houses in the US for \$50,000 and now cannot resell those houses for as little as \$25,000.



The lesson of the story? Always research the market that you wish to invest in thoroughly or risk losing your money!

**GTP Tit Bits**

- Congratulations to Sue & John Olston who became first-time grandparents to a bouncing baby boy—Rhylee Robert John Olston arrived on November 24 weighing 6' 9.

**Congratulations to new parents Tim & Brandi!**





**Things to consider when BUYING EQUIPMENT**

Purchasing new equipment or replacing current equipment can make a great difference to the efficiency in your business, but may also adversely affect your financial standing. The following are a few things to consider and discuss with your accountant when looking at upgrading:

- Replacement costs are not going to decrease! Start planning to replace sooner rather than later
- When looking at replacements, look to the future and new technology to make you more efficient, effective and make your life easier (i.e. GPS technology)
- Have you got enough work for a new machine? Can it be used to produce more income (i.e. contracting etc)?
- Ownership & financing options—buying outright, leasing, chattel mortgage & hire purchase options.

Some factors that should NOT be used to justify machinery purchase decisions include:

- Tax or tax incentives
- Emotions (i.e. wanting to “keep up with the Jones’s)

Other points to look at include:

- Repayments and the initial cost aren’t the only cost of the machine—look at running costs and fixed costs such as fuel, repairs, registration, insurance, interest etc.
- Once a machine is paid off it does still affect the gross margins of the business
- Rebuilding current equipment may suffice and may have tax advantages too! (i.e. claiming as repairs)



**GTP WELCOMES SHANE BRYAN!**

GTP are excited to announce and welcome our **new Business Manager Shane Bryan!** Shane is married to Robynne (Mink Hair owner) and has two sons, Alex & Riley. Shane previously managed Western District Employment Access Horsham & Stawell sites, and spent several years at Workco Limited as Labour Hire & Recruitment Manager. Shane coaches & plays footy with Horsham Saints, plays tennis with St Michaels Tennis Club and transports his boys between their sporting activities. **Welcome to the Team Shane!**

**FARM EXPANSION**  
**YES VERSUS NO**

There is a lot to consider before making any decision in regard to farm size expansion...

Productivity - Firstly consider how efficient your current farm practices are:

- Are you fully utilising your current labour force?
- Are you fully utilising your current machinery fleet?

There are benchmarks available to assist you analyse your current productivity levels and potentials.

Expansion - After assessing your current position and deciding you have the need and capacity to expand. Consider all options for expansion, their risks, their costs and their benefits e.g. Lease, sharefarm or purchase.

**Consider**

- Studying historical records of any targeted farmland
- Analyse productivity potential - current and future
- Set clear productivity targets
- Establish a comprehensive farm management plan re costs, benefits and risks

**Leasing / Sharefarming**

Advantages:

- low capital output
- further utilise labour skills
- further utilise current plant and machinery

Disadvantages:

- no capital gain on farmland (stays with owner)
- still have financial risk with lease costs

**Purchase**

Advantages:

- future potential capital gains on farmland
- further utilise labour skills
- further utilise plant and machinery

Disadvantages:

- additional finance costs to purchase land
- additional finance to add extra livestock & machinery and overhead running costs

This is merely a starting point for consideration. There are many aspects to consider and many questions to be answered. It is very important that all members of the family are fully informed and every one of them is fully behind any expansion decision. GTP can assist in this process—plus help prepare business plans to consider fully all implications. We also use spreadsheets to analyse the projected profitability of any proposed purchase.

**CLIMATE CHANGE ADJUSTMENT PROGRAM (CCAP)**

- Are you a Primary Producer in financial difficulty?
- Are you likely to be adversely affected by climate change?
- Have you NOT received assistance from the:
  - Farm Help Advice & Training Scheme; or
  - Exceptional Circumstances Professional Advice & Planning Grant?

- Have you been farming for at least 2 years?

If you have answered “Yes” to these questions, the Department of Agriculture, Fisheries & Forestry (DAFF) may have a program to help you!

The CCAP aims to assist farm families to adjust their businesses to manage the impacts of climate change, set goals and take action to improve their long term financial circumstances whether within or outside agriculture.

Under the program, a grant of up to \$5,500 may be available for specialist professional advice such as climate change impact & risk assessment, water management & efficiency planning, farm technical advice, budgeting, taxation implications and advice such as succession planning, or for training in climate forecasting, soil sciences, computer skills and business skills, plus much more.

The grant can be used to further your skills to improve your financial situation on- or off-farm. Visit [www.daff.gov.au](http://www.daff.gov.au) for further information.

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