



The Square Orange

August 2005

Lead Story Headline

Every organisation, whether business, not-for-profit, social or even sporting team, wants to create a culture where everyone in it is part of a high-performing team.

So, what is a high-performing team?

Teik Oh, Director of OTS Management runs a one-day workshop for teams in the workplace, called "TEAM! Together Each Achieves More".

Much of the problem of making teams successful in the workplace stems from our past perceptions of what teams are, and a complete ignorance of the powerful principles that underliethem.

Creating teams isn't something we do because it creates harmonious work groups. It is a way to formalise the power of collaboration among individuals. It is a way to



blend the talents, skills, and inherent creativity of diverse people. It is a way to use this collaboration so that the work group leverages its skills, time, and resources for their own benefit and that of the organisation.

Team building is a process of awareness building. It's helping people to understand that they are greater collectively than individually. It is an understanding that all of our decisions will be better when some degree of collaboration is applied. It is bringing people to a place where there is an honest

appreciation of each other's qualities - where they come from; where they've been - because in this appreciation lies the driver for collaboration.

Experiential Learning is the key. Studies show that when people are learning, they retain the least when listening only. They learn more as they move from hearing, to seeing what they are learning, to doing what they learn.

During the workshop your Team will be learning from doing tasks. They will use these experiences to ask:

- what happened?
- what can we learn from it?
- what can we do with what we learnt?

Call Teik to ask how this workshop can help your team to become a high-performing team.

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Special points of interest:

- ♦ *Can enhanced Teamwork help your business? Read about the one-day workshop that can transform your people*
- ♦ *Professionals using service trusts to provide services to their professional entities, beware - page 2*

Change of Contact Numbers

In case you, the reader did not receive our general mail out, please note that we have changed our contact numbers.

Although we remain in the same physical office,

our new telephone lines allow incoming calls to be answered as "OTS Management" rather than through the old Jones King & Oh switchboard.

Our new numbers are, **telephone 08 9242 2085** and **fax 08 9443 7845**.

All our other contact details remain the same.

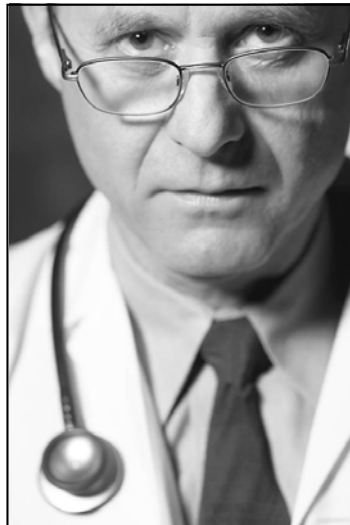
Tax Office turns attention to Service Trusts

The Tax Office has released a guide regarding its approach towards service entities set up by professional firms such as accountants, lawyers, doctors and engineers. The guide will also apply to other organisations that charge related entities for staff and services.

A professional services firm may set up another entity known as a 'service entity', which is contracted to provide certain services to the professional firm. The services provided may include short-term or long-term staff, the lease of plant and equipment and the premises in which the firm operates.

The fees charged by the service entity are typically based on costs plus a mark-up.

The guide provides a set of criteria that the Tax Office considers, if adopted by taxpayers, will demonstrate that the fees charged by the service entity are commercially realistic. The Tax Office requires tax-



Professionals such as doctors, accountants, lawyers and engineers who use a service trust in their structure to provide services to their professional firm will need to review their arrangements

payers to show that the operations of the service entity are a genuine business that is separate from that of the professional services firm.

The Tax Office recommends that all professional services firms review their service agreement arrangements in light of the guide's recommendations. It will allow taxpayers twelve months to ensure that their own circumstances reflect the recommended mark-ups and other criteria outlined in the guide.

Taxpayers who operate service entities should carefully review the Tax Office guide and ad-

dress any issues over the next 12 months. This should reduce any risk of future adjustments should a Tax Office audit occur.

Stop Press

OTS Management has studied the Tax Office Draft Ruling and Draft Guide, as well as the research of the Institute of Chartered Accountants and the Taxation Institute.

We shall be contacting affected clients to discuss their options with them, including a review of their arrangements.

Amanda Moore, Senior Manager, has prepared a Review Program and checklist to identify potential areas of risk or areas which may appear lacking in commerciality.

The Review Program is conducted in three steps.

The first step is to review the structure to see what commercial benefits arise from it and document this part of the review for future reference.

The second step is to prepare budgets and calculations to identify the business activities carried out by the service entities, and to compare them with market conditions for similar businesses.

The third step is to complete documentation of the review and ongoing process, including the review of the Service Agreement.

We have entered into a strategic alliance with Subiaco law firm Murrett & Co to brief them for the amendment or preparation of appropriate Service Agreements.

In the meantime if you would like any information in the meantime please contact Amanda Moore (Senior Manager) or Teik Oh (Director).

2005/2006 Tax Amounts and Rates

The Tax Office has recently released the following statutory amounts/rates for the 2005/06 financial year:

- The car limit is \$57,009 — this is used to calculate depreciation deductions and is unchanged from the previous year.
- The luxury car tax threshold also

remains equal to the car limit of \$57,009.

- The benchmark interest rate for shareholder loans is 7.30% per annum.
- The improvement threshold for CGT separate asset purposes is \$109,447.
- The age-based deduction limits

for superannuation contributions by employers and eligible persons are:

- under 35 years of age: \$14,603;
- 35 to 49 years: \$40,560; and
- 50 years and over: \$100,587.

Transfer of assets between trusts

The Tax Office has recently released an interpretative decision (ID) concerning the transfer of an asset between two discretionary trusts for capital gains tax (CGT) purposes.

CGT event E2 typically occurs when a CGT asset is transferred to a trust. This causes the taxpayer who disposed of the asset to be assessed on any capital gain.

However, where the asset is transferred from one trust to another, CGT event E2 may not apply, provided the beneficiaries and terms of both trusts are the same at the time the asset is transferred.

The ID considers a case where the

two trusts have the same beneficiaries and trust deed, but a different trustee, appointors and establish-

“Where assets are transferred from one trust to another CGT may not apply”

ment date. The Tax Office considers that the establishment date and the trustee of the two trusts do not have to be the same. However, the ID outlines the Tax Office’s view that the two trusts must have the same appointor. The Tax Office also indi-

cates that the vesting dates must be the same.

As the appointor has the power to appoint and remove a trustee, it is considered that the identity of the appointor is a term of the trust. Consequently, as the terms of both trusts must be identical, both trusts must have the same appointer in order for the exemption to apply.

TIP: The ability to transfer assets between identical trusts can provide useful planning opportunities for asset protection, estate planning and business structuring generally. Professional advice should be sought on this complex matter.

Family Trust elections

It is often necessary to make a family trust election in relation to a trust to ensure that deductions are more readily available for trust tax losses. An election may also be necessary to ensure that franking credits (tax offsets) can be utilised.

The trust can only make the election where it passes strict ownership and control tests. In making the election, the trust must nominate an individual known as the ‘test individual’. Thereafter, the trustee will be restricted to making distributions to members of that individual’s family, plus certain wholly owned entities and charitable organisations. Other trusts or companies may make similar elections so that the trust can distrib-

ute to them.

Distributions outside of this group result in penalty tax at the top marginal rate (family trust distribution tax).

The Tax Office has recently released two interpretative decisions (IDs) concerning family trusts that clarify which family members may be included in the family group.

The first ID considers the inclusion of stepchildren in the test individual’s family. It states that if the spouse of the test individual dies, any stepchildren are no longer included in the defined family group.

The second ID looks at two different trusts with different test individuals who are brothers.

The Tax Office has declared that since the brothers are members of each others’ families, their own trusts will be able to distribute to each other, provided additional elections are made, called interposed entity elections.

These elections in turn have a further impact on distribution flexibility and should be very carefully considered.

TIP: Taxpayers should regularly review their trusts and consider whether elections are required to make use of tax losses or franking credits. The potential impact on distribution flexibility should also be considered.

Tax Diary

11 August - Lodgement and payment of quarterly Activity Statement on paper for the Quarter Ending 30 June 2005.

14 August - Lodgement (and possibly payment) of PAYG Withholding

Summaries for large PAYG Withholders (greater than \$1 million) or a payer who has no agent involvement in preparing the report. As this date is a Sunday, lodgement and payment where due is on the following

business day.

25 August - Lodgement and payment of Quarterly Activity Statement for Quarter Ending 30 June 2005 where lodgement is by Tax Agents’ secure electronic lodgement.



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Important: This is not advice. Clients should not act solely on the basis of the material contained in this Newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.

OTS Management is a quality and value driven boutique consulting and accounting company that provides organisational development services to commercial, growth-oriented Small and Medium Enterprises who require business services, advice and coaching.

We give our clients comfort in their decision-making by providing them with our experience and independent advice that saves them time and helps them grow. Unlike other accounting services companies, our clients have significant contact with our senior people.

We meet our own high expectations in order to exceed the expectations of clients.

Our services include:

- *Change Management consulting*
- *The Zest Factor - find the zest in your organisation*
- *Strategic & Business Planning*
- *SMART Marketing workshops*
- *Team Development workshops*
- *Performance Management Systems*
- *Zest Tests - Business Diagnostics on your organisation*

The Juice

Know Your Outcome

Have you ever had a day when you finished it and wondered what you actually achieved?

Silly question, of course we all have.

How do you stay on track and complete the important things of the day?

Tomorrow when you start your day, try following four simple steps.

Firstly, "Know Your Outcome". Actually voice it in your head, for example, "I will complete that report in such a way that the quality of my work shines through" or "I will go to that meeting and ensure that my points are listened to without hurting anyone's feelings".

As you can see from the examples,

you need to be specific.

Step2, go through what **not** getting your outcome will cost you in terms of money, time, stress, etc.

Step 3 be clear in your mind what achieving the outcome will feel like - the pleasure of getting what you want. Be emotionally invested in the outcome.

Finally, prioritise the things you want to do, work out the time you need, set it aside, and then get on with it - top priority first.

The trick is to stay focused on your desired outcome through the day. As you get interruptions (and you will) review how important they are compared to your outcome, schedule the interruptions for another time, and get on with your priorities.

Natasha Balchand

OTS Management welcomes back Natasha Balchand from her sojourn to Melbourne.

Natasha was originally with Teik Oh, Amanda Moore and Sharon Curson in King Oh & Partners, and with them, was a founder member of OTS Management.

Natasha moved to Melbourne in October last year but has now returned to Perth. She and the company are excited at what we will build together.

