



The Square Orange

February 2005

Find the Zest Factor in your organisation

If you are like us, starting your small business was the most exciting time of your life.

Then you just got "caught up" - in the day to day work, caught up in the details and the grind.

At OTS Management we have developed a 12 stage process to rekindle the excitement and find the zest in your organisation. We call this the Zest Factor.

Using the Zest Factor methodology you can put into a practice that old adage "Work *on* your business, not *in* it".

The 12 steps are:-

1. Recognise your dissatisfaction.

Are you aware that the most successful business people like Richard Branson succeeded because they failed? Many

faced bankruptcy before they "failed forward" through recognising their dissatisfaction.

2. Create your Vision

Where do you want to go in your life? What do you want your business to look like in 10 years' time? Without knowing what you want, how can you get there?

3. Diagnostics.

Check out where you are now.

4. Understand your numbers.

5. Your People systems.

Develop organisation charts and accountabilities.

6. Define Target Markets.

Know exactly what need you are selling and who you want to sell to.

7. Create your USP - your Unique Selling Proposition.



Build a dynamic team

8. Develop your Sales systems.

9. Build a dynamic team around you.

10. Build Leadership.

With Leaders in your business come the reality of "letting go".

11. Develop your Systems and Accounting reports for action.

12. Achieving your Vision - plan for Action.

Call us for a discussion about how the Zest Factor can help you *and* your business develop and grow.

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Peter Deakin & Michelle Chin join OTS

As we say farewell to Natasha Balchand who has moved to Melbourne to join her "other half", OTS Management welcomes two new team members.

Peter comes to us with 4

years' experience as an accountant having worked in commerce as well as public practice.

Michelle has worked since 1992 in various industries recently mov-

ing to accounting.

Both Peter & Michelle provide accounting & tax services. Peter has additional skills in setting up MYOB and Quickbooks systems for clients.

Residence Exemption from CGT

The Tax Office recently released an Interpretative Decision (ID), which considers the application of the capital gains tax (CGT) main residence exemption where a taxpayer has used their main residence to

“A capital gain may arise on an individual’s residence if used to produce assessable income”

produce assessable income.

A capital gain or loss arising on the disposal of an individual’s main residence is typically ignored for income tax purposes. However, a

gain or loss may arise where an individual has been absent from their main residence and uses it to produce assessable income during that period.

In such cases, the law allows the individual to gain access to the main residence exemption, but only where certain conditions are satisfied.

Please contact us for further information.

Government Grants taxed

In a recent case, the Administrative Appeals Tribunal (AAT) has rejected a taxpayer’s objection and affirmed that a grant received by the taxpayer was assessable income.

The taxpayer, engaged in a fabrication workshop business, applied for and received a Commonwealth Dairy Regional Assistance Program (DRAP) grant as a contribution to the construction cost of a larger workshop. The aim of a DRAP grant was to assist businesses in rural areas provide work for unemployed dairy workers.

The taxpayer argued that the grant was capital in nature as it was provided for the purpose of building and fitting out a new workshop. The taxpayer sought a private ruling from the Tax Office. The Tax Office ruled that the grant was assessable income as it constituted a bounty or a subsidy and was received in relation to carrying on a business.

The taxpayer subsequently objected and the case was brought before the AAT.

In the judgment, the AAT upheld the Tax Office’s assessment and ruled that the grant constituted a subsidy received in relation to carrying on a business. Accordingly, the grant formed part of the taxpayer’s assessable income.

CAUTION: Taxpayers should seek professional tax advice to be fully aware of the tax consequences when making an application for Government grants.



Frequent Flyer Points

The Tax Office has held that an employee who used their personal loyalty program points to acquire an airline ticket for work related purposes is not entitled to a tax deduction for the value of the airfare.

Although the law allows a deduction for consideration paid otherwise than in cash, the consideration paid must have a money value.

The Tax Office formed the view that the money value of the loyalty points used by the employee was nil because the loyalty points cannot be transferred or assigned and are not convertible into cash.

Tax Diary

28 February

Lodge & pay tax return - non taxable large/medium business taxpayers as per last year lodged - all entities other than individuals.

Lodge & pay tax return - taxable & non taxable new registrants (large/medium business taxpayers).

Lodge & pay tax return - taxable new registrants (companies, superannuation, trusts)

Lodge and pay quarterly BAS & IAS - paper & secure electronic lodgement, quarter 2, 2004-05.

31 March

Lodge & pay tax return - all entities where 1 prior return outstanding.

Lodge & pay tax return - companies and superfunds with total income in excess of \$2 million in latest year lodged; individuals & trusts that were Tax Level 6 per latest year lodged.

Deducting Tax Losses

In a recently released Interpretative Decision (ID), the Tax Office has ruled that a company is able to utilise part of a tax loss generated in a year in which the company failed both the continuity of ownership test, and the same business test.

Broadly, the law prohibits a company from deducting a tax loss unless:

- it has the same owners throughout the period from the start of the loss year to the end of the year in which the loss is deducted. This is commonly referred to as the continuity of ownership test (COT); or

- it carries on the same

business for the period starting just before the COT was failed through to the end of the year in which the

“A company is able to utilise a part of a tax loss generated in a year in which the company failed both the continuity of ownership test and the same business test”

loss is deducted.

Specifically, where a loss company fails both tests in the year in which an overall loss is made, the law requires the loss company to divide the income year into periods. The dividing point between periods is

the time(s) where the ownership test was failed. The company is required to treat each period as if it were a separate income year and work out the notional loss or notional taxable income for each period.

A notional loss calculated in a period after the change of ownership can then be carried forward and offset against future years' taxable income subject to satisfying the COT or same business test through to the end of the year in which the loss is deducted.

Please contact us for further information.

GST & Compulsory Acquisitions

In a recent GST case, the issue was whether land acquired through a compulsory acquisition by a Shire Council was subject to GST.

The taxpayer had obtained a private ruling from the Tax Office in which it was held that the acquisition was not subject to GST. Despite the ruling, the Council insisted that the taxpayer issue it with a tax invoice.

The taxpayer refused to issue a tax invoice and as a result, the Council withheld 1/11th of the proceeds payable to the taxpayer. The taxpayer subsequently brought the case before the courts.

The Court held that the acquisition was not a taxable supply. On that basis, there was no requirement for the taxpayer to issue a tax invoice to the Council. Accordingly, the

Council was required to pay the taxpayer the proceeds withheld in addition to an amount of compensation.

TIP: Taxpayers should seek professional GST advice where a compulsory acquisition takes place because, in some cases, a compulsory acquisition will attract GST.

Are Partnership non cash benefits taxed?

The Tax Office has recently released an Interpretative Decision (ID) that considers whether the use of plant and equipment by a partnership, at no charge, constitutes a non-cash business benefit that should be included in partnership income.

Broadly, the law operates to include the market value of non-cash benefits, such as property or services received by a business, in its assessable income. This is based on the proviso that the benefit has the character of income.

In the case at hand, the partnership was made up of two entities, each owning plant and equipment. Both entities (partners) granted the partnership exclusive use of the plant and equipment at no charge.

The Tax Office formed the view that the exclusive use by the partnership of the plant and equipment at no cost did not constitute an assessable benefit,

as it did not have the character of income according to ordinary concepts.



Instead, the Tax Office held that the use of plant and equipment was more in line with a capital contribution by the partners. Therefore the benefit should not be included in the net income of the partnership.



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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

Tip of the month

Setting a target to increase Sales? Target seems high and unrealistic? Chunk it!

Remember Sales is made up of (1) the number of customers you have, multiplied by (2) the number of times they buy in a year, multiplied by (3) the average sale value each time they buy.

Instead of setting a huge overall target, set small targets for each of the 3 aspects of your sales. If

you increase each aspect by 10% you'll get better than a 30% overall increase.

Increasing \$1 million Sales by \$300,000 may sound too much - but increasing 1,000 customers by 100 sounds manageable.



Put a number of complementary products into a "basket" as a sales special

Then concentrate on each aspect. For example you can increase the average sale value per buy by:

- up-sell & cross-sell;
- Package complementary products into a "basket"; and
- Point Of Sale promotions.

Call us for a full discussion on Sales Generation.

Moving Office checklist

- Redirect mail
- New stationery etc.
- Final reading of electricity, gas etc.
- Mail out change of address to customers & suppliers
- Connect/disconnect telephones, ADSL, alarms, etc.
- Update website contact details
- Collect all old keys