



The Square Orange

November 2005

How effective is your strategy?

We recently completed a Business Strategy Zest Test for a multi-business media company.

They have business interests in media and communications, public relations and publishing.

We were called in to facilitate a long term strategic plan but we suggested that they should start with the Business Strategy Zest Test to see how effective their business strategy actually was. Otherwise a new strategic plan would simply compound any problems.

Nearly all business initiatives undertaken today are called "strategic" - it is a buzz word.

However, when everything is clearly strategic, often nothing strategic is clear.

The purpose of a Business Strategy Zest Test is to arm an organisation's leaders with the tools, information and commitment to evaluate the degree of advantage and focus provided by their current strategies.

We conducted an External Environment Assessment.

This meant that their team studied the external environment (capital



Teik Oh: "When everything is clearly strategic, often nothing strategic is clear"

markets, industry capacity, technology, pressure from substitutes, etc), as well as the industry components (competitors and the customers) in order to :-

- ensure the company met the needs evident in their environment,
- prevented others from meeting those needs in a better way, and
- created new ways to meet future needs.

We then facilitated their team in conducting an organisational assessment.

This involved:-

- Strategy clarification (what business are they in, despite all their business

divisions, what was the direction of that business, and what framework should decisions be made in?)

- Viability and robustness (will the business sustain itself in the future?)
- Business processes (overall workflow)
- Capabilities (not skills but the combination of skills to derive an outcome)
- Organisational design and resourcing (structures, behaviours and the alignment of all the above aspects to the organisation structure)

On completion of the Business Strategy Zest Test they found that they had the information to :-

- Ensure the company was meeting the needs evident in the environment;
- Prevent others from meeting the needs in a better way; and
- Create or identify new ways to meet future needs.

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Special points of interest:

- ♦ *This page - You may have "strategies" but are they effective?*
- ♦ *Many people think they can become self-employed as a Contractor - what are the pitfalls? Page 2*
- ♦ *Parking at your primary place of work may be deductible - page 3*

AAT Decision identifies “Personal Services” income as well as difference between employment and contract

In a recent case, the Administrative Appeals Tribunal (AAT) has found that an IT consulting services company did not satisfy the ‘personal services business’ test and, as such, the company’s income was assessable income for each of the individual contractors.

The taxpayer established a company to provide IT consulting services and technicians. The company’s four technicians were contracted to external entities to work on a full-time basis. For the income years ended 30 June 2002 and 30 June 2003, the company derived total fee income of almost \$1 million.

As the result of an audit in 2004, the Tax Office declared that the company was not a personal services business, as it did not pass any of the personal services business tests. The Tax Office subsequently reassessed the company’s fee income for each of the company’s four technicians.

The personal services income (PSI)

tests are designed to prevent individuals from alienating income generated from personal services through another entity.

“Service contracts where there is no contractual result or outcome are employment contracts”

In order to be outside the PSI measures, a company can satisfy certain tests as outlined below:

Results test

A contract is measured by an outcome or product and the contractor is liable to rectify any problems; **or**

no more than 80% of the business income is derived from a single source **and** you satisfy one of the following:

Unrelated clients test

You derive income from two or more unrelated clients and advertise

available services; or

Employment test

You engage an individual(s) to perform 20% or more of the principal work; or

Business premises test

You exclusively use business premises that are physically separate from your home, or from the premises of the person for whom you are working.

The AAT held that the relevant service contracts did not pass the results test as they were more in line with employment contracts, as each technician was paid an hourly rate and there was no contracted result or outcome.

None of the remaining three tests could be satisfied as each consultant derived 100% of their income from one source, thus not satisfying the 80% requirement. Consequently, the AAT affirmed the Tax Office’s amended assessments and the taxpayer’s appeal was dis-

Tax Diary

11 November

Quarterly Activity Statement for 1 July 2005 to 30 September 2005 if lodged as paper.

21 November

Instalment Activity Statement for monthly PAYG Withholding payers for September 2005.

25 November

Quarterly Activity Statement for 30 September Quarter if lodged electronically through a Tax Agent.

Some Income Tax Returns are also due on **1 December**:-

- Taxable large/medium business company and superannuation funds
- Head company of a consolidated group where a member has been deemed a large/medium business in the latest year lodged and the 2005 tax return is taxable.

Some payments are also due in **1 December**:-

- Payment for large/medium

business company and superannuation funds that are due to lodge their tax returns by **15 January 2006**

- Payment for companies and superannuation funds that were due to lodge tax returns by 31 October 2005.
- Payment for head company of a consolidated group including new registrants where a member has been deemed a large/medium business in the latest year lodged, the 2005 tax return is taxable, and the tax return has to be lodged by **15 January 2006**

Deduction for “Tax Advice” fee denied

In a recent case, the federal court held that a taxpayer was not entitled to a deduction of \$49,550 for tax advice provided by a solicitor in establishing a superannuation fund.

In December 1998, the taxpayer was advised by his accountant that he could make a contribution to a non-complying superannuation fund and claim a tax deduction for that contribution.

A solicitor was engaged to set up the superannuation fund and prepare the associated documents.

The taxpayer and the solicitor agreed that the superannuation

fund would be set up for \$450 and that his total charge would be 10% of the \$500,000 contribution made by the taxpayer to the superannuation fund (a balance of \$49,550).

However, the taxpayer was ultimately unable to claim a deduction for the \$500,000 contribution following decisions in subsequent tax cases. Nevertheless, the taxpayer claimed a deduction for the \$49,550 paid to the solicitor for tax advice provided.

The AAT denied the deduction on the grounds that no tax advice had been provided.

The federal court concluded that the

solicitor was a recognised tax adviser and had in fact provided tax advice to the taxpayer when implementing the recommended structure.

However, no deduction could ultimately be granted as the taxpayer failed to produce evidence of what proportion of the fee directly related to tax advice, as opposed to other services.

CAUTION: Taxpayers should take care to thoroughly apportion expenses incurred where amounts are only partly deductible.

Car parking expenses

Generally, individual taxpayers are not entitled to a tax deduction for car parking expenses incurred while at their primary place of employment.

However, a recent interpretative decision provides that where a taxpayer travels from an unrelated place of employment to their primary place of employment and incurs a car parking expense, the expense will be an allowable deduction.

In the ID, the Tax Office contemplates an individual taxpayer who is employed at two unrelated places of work, one being part-time employment (two hours a day) and the other full-time. Each day, the taxpayer works an hour of part-time



Parking at primary employment deductible under certain circumstances

employment, works a full day at their primary place of employment and then works another hour at their morning’s workplace before returning home. While working at their primary place of employment, the taxpayer incurs car parking expenses.

Miscellaneous Tax Ruling MT 2027 states that for FBT purposes, the nature of travel between home and work does not change merely due to incidental tasks that are ‘undertaken en-route in the travel from home to work’.

However, in the ID the Tax Office was satisfied that in the situation under review, clearly more than incidental tasks were being carried out by the taxpayer between their home and their primary place of employment. Consequently, the car has not been used by the taxpayer solely to travel between home and their primary place of employment. In turn, the deduction for car parking expenses would not be denied on that basis.

Liquidator has lodgement responsibility

In a recent interpretative decision, the Tax Office has stated that an appointed liquidator is the entity responsible for lodging a company’s income tax return when it has control of the tax and financial records of the company.

A liquidator is responsible for the income tax requirements and liabilities of a company from their time of appointment.

For further clarification, Taxation Determination

TD 94/68 outlines where the responsibility lies in situations where a receiver and/or an administrator has also been appointed to the company.



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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:

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- *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

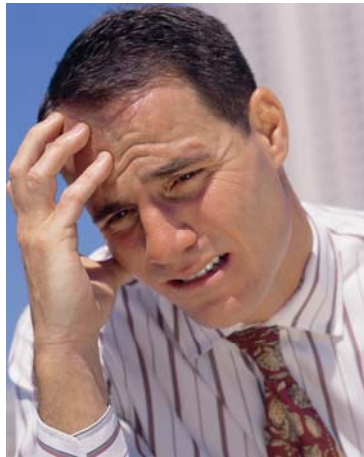
Have you ever decided to "get organised" and write down a To-Do list?

If you have, then you have also experienced a sense of deep panic !

To-Do lists cause stress - and they don't work because you start off on one or two things, and then you falter because it gets too much and "life" just gets in the way.

The next time you want to get organised, instead of putting together a To-Do list, write up your Outcomes list.

Write your To-Do list, feel that initial sense of panic, then ask your-



No need to panic

self "what is my desired outcome and what is most important to achieving that outcome?"

For example your most desired outcome might be to move your business forward, or to complete a series of projects or to increase sales.

As soon as you do that, many things on your list will relegate themselves to a "Do-

Sometime" list. Cross them off and delegate them or create a "Wish List" that you can come back to when you have a spare moment.

For whatever remains on your list, write down for each item how you

must absolutely do them to achieve your desired outcome - make them a MUST, not a have-to.

When you absolutely convince yourself that they are MUSTS, you will find the time!

Then, prioritise and chunk.

Prioritise the small tasks that you can do quickly (to get them out of the way and feel good). The larger tasks become A (crucial to your outcome), B (supports your outcome) and C (can be delegated to help your outcome) tasks. Choose 2 or 3 "A" tasks that you can do in a day, chunk each into small steps - then do the FIRST!

Repeat the process the next day.

Finally, don't forget to feel good as you finish each task! Reward yourself often and well.