



# The Square Orange

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## Cascading Performance Measures

Performance Measures measure your organisation's journey towards defined targets.

On an individual level, a team member's Performance Measures measure his or her journey towards an expected standard.

However individual performance measures are often based in isolation, on their job description.

More often than not, these have no engagement with where the organisation, or even their direct department, are supposed to be heading.

Teik Oh, Managing Director of OTS Management recently spoke at a seminar on Balanced

Scorecards in Sydney, Teik spoke about the need to measure both performance drivers and outcomes.

Usually, people measure outcomes (how many units produced, number of customers satisfied) but it is important to see how today's actions set the stage for the future. Measures of performance drivers are inputs into the system that produce outcomes, for example new skills learned or delivery time as an input to customer loyalty.

It is also important that the Performance Measures of the organisation are aligned with the goals and Vision. De-



partmental measures are then defined as "what should we do better in our area to help the overall attainment of corporate goals?"

In this way the individual's Performance Measures are then compiled to answer the question "what can I do to achieve departmental goals?"

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## Showcase International - Finalist in 2006 WA Tourism Awards

OTS Management congratulates Jeannine Fuller of Showcase International in being announced a Finalist in the "New Tourism Development" Category of the 2006 WA Tourism Awards.

OTS Management facilitated a Market-Entry ZESTY Marketing Plan for Jeannine and assisted in the preparation of her submission to the WA Tourism Council.

Showcase International produces a handcrafted heirloom standard presentation box made from heritage timbers and veneers, which contain various high-end giftware and luxury consumable items.

The key to the Showcase International concept is the creation of partnerships with the producers of the contents, such as Linney's and The Perth Mint.

Showcase International consults one-to-one with customers to prepare the best combination of presentation, includes a book to showcase the products and producers, and delivers the showcase to the customer's recipient of the personalised gift.

Showcase International can be contacted at [showcaseinternational@bigpond.com](mailto:showcaseinternational@bigpond.com)

### Special points of interest:

- ♦ "Customer Service" - in *The Juice* on page 4
- ♦ Watch how you structure GST transaction between related parties (page 2)
- ♦ Contributing to a complying superannuation fund is not necessarily deductible

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## Carrying On a Business from Home

The Tax Office has recently released a guide for taxpayers who carry on a business from their home.

The guide discusses the taxpayer's obligations and other issues that need to be considered when operating a business from home.

Some of these issues include:

- the implications of operating a hobby business as opposed to a business (for profit);
- choosing the right structure to operate within; and

- registration obligations of the taxpayer.

The full guide is available on the ATO's website at:

<[www.ato.gov.au/print.asp?doc=/content/43191.htm](http://www.ato.gov.au/print.asp?doc=/content/43191.htm)>.

## GST Anti-Avoidance Case Decided

In a recent decision (*VCE and FCT* [2006] AATA 821), the Administrative Appeals Tribunal (AAT) handed down its first case in relation to the anti-avoidance provisions in Division 165 of the *A New Tax System (Good and Services Tax) Act 1999* (the GST Act).

The taxpayer, VCE, entered into an agreement to acquire a commercial property from its sole director for the sum of \$770,000 (GST inclusive).

The purchase price was payable in instalments, the first instalment being for \$550, with the final payment of \$727,450 being payable in June 2018. As VCE registered to account for GST on a non-cash ba-

sis it lodged a BAS showing a capital purchase of \$770,000 and claiming input tax credits of \$70,000. On the other hand, the vendor, who was registered to account for GST

**“As a result of the relationship between VCE and its sole director this was a scheme”**

on a cash basis, declared GST of \$50, being the GST on the deposit of \$550.

The issues considered by the AAT were:

- Whether, as a result of the relationship between VCE and its sole director this was a “scheme” and thus whether the anti-avoidance provisions disallow the input tax credit of \$70,000 claimed by the taxpayer (VCE); and
- if so, whether the penalty on the shortfall amount of \$70,000 was properly imposed at the rate of 50%.

The AAT affirmed the Commissioner's decision to prohibit input tax credits claimed by the taxpayer and to impose a penalty of \$35,000.

## Contributions to a complying super fund not deductible

In a recent decision, the AAT held that contributions made by a taxpayer to a complying superannuation fund were not deductible.

In 1999 the taxpayer incorporated H Pty Ltd as corporate trustee of her family trust. She was sole director, shareholder and secretary. In that same year she enquired about making contributions to her employer's superannuation fund by way of salary sacrifice and was informed that she could not do so.

Taking the taxpayer instead made contributions to the H Pty Ltd complying superannuation fund for her own benefit in her capacity as owner/controller of H Pty Ltd and lodged tax returns in the relevant years claiming the contributions as

deductions.

The Commissioner amended the taxpayer's returns disallowing the deductions on the grounds that superannuation contributions are allowable deductions to the extent that they are



**Solicitor's contribution to own complying super fund not deductible**

made for the benefit of an eligible employee.

Although the taxpayer was considered to be an employee of H Pty Ltd in her capacity as director, the AAT affirmed the Commissioner's decision on the basis that established case law provides that an eligible employee must be a different person to the contributor.

The taxpayer also argued that the contribution was effectively an employer contribution and had been treated as such by H Pty Ltd. However, the AAT held that the contributions were clearly a contribution by the taxpayer from her own funds and for her own benefit.

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## Compensation Payment is Ordinary Income

The AAT has held that payments made in respect of a taxpayer's injury at work were assessable as income.

The taxpayer sustained various injuries at work and, as a result, ceased manual labouring. His work contract was terminated shortly afterwards, as it was deemed he was no longer fit to return to active work.

The taxpayer commenced litigation with regard to the injuries sustained at work and was awarded various amounts of compensation, including two sums of aggregated arrears payments to compensate for weekly earnings.

The Commissioner argued that the amounts were in fact income in accordance with ordinary concepts and the AAT considered some of the following tests detailed by the courts in de-

termining when an amount is considered to be ordinary income:

- the character of the income in the hands of the recipient;
- whether in considering all the circumstances, one could conclude the payment received was income;



- the application of an objective test; and
- reliance on the ordinary concepts and usages of the term 'income'.

The AAT, in consideration of the above factors, determined that the payments representing lost earnings due to the taxpayer's incapacitation were in substitute for what the taxpayer would have earned had he not been injured. The AAT was satisfied that this alone was sufficient to characterise the payments as income according to ordinary concepts.

The AAT was further satisfied that the payments were paid in lump sum because they were in arrears and were directly related to the taxpayer's employment with his former employer. The amounts that were awarded by the Compensation Court were directly referable to the taxpayer's earnings.

## Common Tax Return Errors

The Tax Office has recently identified some errors commonly made in trust tax returns. These errors include:

### Tax losses carried forward

Carried-forward losses are not allowable if there is income at item 21.

**Zeros in trust return labels** Zeros are not necessary and should not be added as this will slow the return process.

### Non-taxable

The Tax Office will not issue a notice of assessment for both original and amended assessments if a trust is assessed as non-taxable.

### Date of birth

If the beneficiary is not a person, the date of birth label should not be completed.

### Assessment calculation codes (V codes)

Taxpayers and tax agents to

choose the correct V code for every beneficiary in the statement of distribution.

### Non-resident and minor beneficiaries

Income will be raised as an assessment payable by the trust.

### Non-resident beneficiaries' additional information

Label K is to be completed by all taxpayers to inform the Tax Office of income that is assessable.

## Tax Diary

**11 November** - September 2006 Quarter final date to lodge electronically via Tax Agent, payment required.

**14 November** - RBL Reporting for benefits paid in October.

**21 November** - Final date to lodge and pay October 2006 Monthly Ac-

tivity Statement.

**28 November** - pay superannuation guarantee charge for Quarter 1



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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:*

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

## The Juice

Do you believe in Customer Service?

You say you do, but how long does a customer have to wait before he is served? Can your staff make decisions on customer complaints quickly without having to wait for "instructions"?

Customer service is all of the things you provide over and above the basic value offered in your product or service. In other words, it's your chance to give your customers added value for their money.

For example, do you offer:-

- Free delivery
- Cashiers who smile and call the customer by name
- Buy one, get one free

- Complimentary muffins and coffee
- Additional copies at no extra charge



- Free gift with purchase
- How do you know what your cus-

tomers want?

Take a walk in your customers' shoes and observe what they experience.

How is the phone answered and how are they greeted? What is the overall tone conveyed in your brochure or on your website? Do customers get a timely response to their e-mail questions? How are their transactions handled? Is the invoice easy to read? Is the product delivered undamaged? Is parking easy and convenient?

The more you can understand what your customers actually experience in their interactions with your company - from their vantage point - the more you'll be better able to optimise and add on to their experience.