



The Square Orange

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Corporate Culture - bottoms up?

Recently, our Managing Director Teik Oh was involved in a Corporate Culture Zest Test of one branch of a national company.

They had spent a lot of time and money in an extensive culture change program to instill a sense of corporate pride and to embed a culture of personal responsibility in the workplace so that work-teams could be self-managing towards corporate goals.

The results surprised the management.

The employees sense of pride, their corporate shared values, and their desire to be personally involved had gone backwards.

“The problem was that the company had taken a top down approach”, said Teik.

They began their change management program correctly by creating a Vision.

“However”, Teik explained, “instead of championing the Vision to the rank and file so that they bought into it, the Vision was simply

hammered down to them”.

As a result, the most common phrase heard during the Corporate Culture Zest Test was that their leaders did not



Leaders must walk the talk

walk the talk.

Corporate Culture is the way the people in a corporation behave, and the values they share. Over time these shared values influence organisational practices and systems so that they affect results - customer service, efficiency, and the bottom line.

When we help businesses plan for a cultural change program we use a bottom up model called the Be-Do-Have Model.

With their Vision the leaders need to become self-aware and “Be” the way they need to be in the Vision. This means

training the leaders in the beliefs and values needed until they emotionally subscribe to them.

What someone believes in and what they value determines what they “Do” on a day to day basis.

At the “Do” phase, because of the work done on beliefs and values, behaviours support the Vision. The decisions made, how time is prioritised, and interaction with others are all aligned towards the Vision.

Once leaders are walking the talk and the symbols such as systems are seen to support this, the rest of the team follow so that the whole corporation begins the “Have” phase.

At this phase, all personal responsibilities and contributions are shaped towards a common purpose. Those that do not subscribe to it are weaned out or fall of their own accord.

The end result is improved organisational and financial results.

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Special points of interest:

- ♦ *Did you lend money to your company when it was a bit short? This may be deemed equity. See page 2.*
- ♦ *What happens when things go wrong? Remember there is no such thing as failure, only results. See The Juice on page 4*

Your loan with your own private company at risk

The federal government has recently announced changes to simplify the rules in relation to 'at call' loans for small businesses. This will make it easier for small businesses to comply with complex debt/equity rules, reduce compliance costs and provide greater certainty.

Broadly, 'at call'



Your money or not? Getting your own money out

loans are loans made out to companies typically by shareholders and other related parties. The loans are typically not documented, are interest free and repayment obligations are unclear.

Previously, 'at call' loans were

automatically treated as debt for companies with net assets of \$5 million or less and annual deductions in relation to the loan of \$100,000 or less.

The original test was quite lengthy and complex. To simplify matters as of 1 July 2005, all 'at call' loans will automatically be treated as debt for companies with an annual turnover of \$20 million or less.

For affected companies, this can eliminate risks of loans being classified as 'equity', which would mean, for example, that interest would be non-deductible.

Tax Office targets "Low-Doc" loans

The Tax Office has recently announced plans to review the affairs of taxpayers with low-documentation loans after initial audits had uncovered widespread tax avoidance, particularly by taxpayers operating cash businesses in the building and construction industry.

The \$30 billion 'low-doc' loan market provides credit to tax-payers unable to obtain finance from traditional sources. A higher interest rate is charged and borrowers provide limited information concerning their income and assets.

The Tax Office believes that low-doc loans are used in some cases by

taxpayers trying to hide their true income, either for tax or other reasons. An initial pilot program un-

"The Tax Office believes that low-doc loans are used by taxpayers hiding their true income"

dertaken by the ATO found that around 50 per cent of low-doc borrowers were behind in their tax return lodgements by an average of three years.

The Tax Office utilises data-matching services to check the tax

lodgment records of taxpayers with other information such as credit, banking and investment data.

The aim of the increased scrutiny is to ensure that taxpayers with low-doc loans are correctly declaring all income including dividends and capital gains and claiming appropriate rental property deductions. The program will also enable the Tax Office to claw back unpaid GST.

CAUTION: Taxpayers with low-doc loans should be aware of the highlighted risk of Tax Office review and check to ensure income records are in order and tax return lodgements are up-to-date.

Tax Diary

14 September - final date to lodge Reasonable Benefits Limits reportable benefits paid in August 2005.

15 September - final date to pay superannuation contributions surcharge.

21 September - final date for lodgment and payment of August Activity Statements.

30 September - PAYG withholding payment summary annual report has to be lodged by a PAYG withholding payer who has had a tax agent involved in preparing the report and has one or more arms-length employees or has only closely held employees but did not meet the compliance test. A PAYG withholding payer who has had a tax agent in-

involved in preparing the report and has only closely held payees and has met the compliance test can lodge their PAYG withholding payment summary report by the due date of their income tax return.

30 September - final day for appointment of tax agent for Activity Statement role quarter 1 2005-2006.

Burden of Proof on Taxpayer

In a recent federal court decision, a taxpayer's appeal was dismissed on the grounds that the taxpayer didn't provide credible evidence to satisfy their burden of proof.

The Tax Office issued amended assessments to the taxpayer for the 1996, 1997 and 1998 income years following a tax audit.

The amended assessments included additional assessable amounts totalling approximately \$600,000, which the taxpayer had not previ-

ously disclosed.

The taxpayer and her husband were heavily involved in buying and maintaining horses, but the taxpayer argued that she was not carrying on a business. The taxpayer appealed against the assessment, arguing that the disputed amount was not income and represented gambling gains and gifts.

A taxpayer appealing an assessment has the burden of proving that the assessment was excessive. The fed-

eral court held that the taxpayer's evidence regarding betting records had many anomalies and lacked credibility. The federal court dismissed the appeal on the grounds that the taxpayer was unable to credibly discharge her burden of proof and establish the actual source of the relevant amounts.

TIP: It is very important that taxpayers keep organised records of all receipts to withstand any Tax Office investigation.

Is there GST on a Security Deposit?

The Tax Office has released a draft GST Ruling concerning the application of GST to deposits.

The draft Ruling provides that GST will only apply to deposits when either the deposit is forfeited or the deposit forms part of the consideration for the broader transaction (as is the case under current GST law).

"GST will only apply to deposits when the deposit is forfeited"

The draft Ruling also outlines the Tax Office's views of what is a rea-

sonable amount of deposit before a GST event is triggered as a part-sale.

The Tax Office considers (under normal circumstances) that 10% is a reasonable amount and that amounts greater could otherwise be regarded as a part-payment, in which case GST would apply on the transaction.

Father buys house for children: CGT could apply!

The Tax Office recently released an Interpretative Decision (ID) that considers the CGT consequences of an arrangement where a taxpayer purchases a home for the use of their children and eventually passes title to the home to the children.

In the case under review, the children of the taxpayer wanted to purchase a home, but were unable to obtain finance. The taxpayer agreed to obtain a loan so that the children could purchase a home. However, the conditions of the loan required that the title of the property be in the taxpayer's name.

It was agreed that the children would meet all outgoings of the property, including loan repayments. The taxpayer would pass title to the children after five years,

as it was anticipated that the children would then be in a position to obtain their own finance.

Generally, a property will be disposed of for CGT purposes when title passes from the taxpayer. Any gain or loss will be calculated on the proceeds received at the time of title transfer.



CGT calculated at the time use and enjoyment is first provided

However an exception may occur where:

- an agreement is reached in which the taxpayer provides use and enjoyment of the property to another; and
- the taxpayer agrees to pass title to the property at or before a later specified date.

Where such an agreement is reached, the CGT will be calculated at the time that use and enjoyment is first provided, in this case when the children first began use of the property. As the taxpayer did not receive any proceeds at that time, the capital gain or loss will be calculated on the market value of the property when the agreement was reached



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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

We did something in our office recently that did not sit well with our Vision: in completing a task we did not ask intelligent questions and we did not complete the task in a way that met our own high expectations.

Were we disappointed? You bet! We beat ourselves up about it; there were tears before bedtime!

But after the "moment" of it was over, we felt grateful. "Grateful?" you ask, "How could you have felt grateful after a disappointment?"

We felt grateful because we attach a meaning to it that labels it as a learning opportunity - next time we will know what type of behaviours to use and what not to use.

The reason we can do this is because OTS Management is based on two beliefs.

Belief Number 1 is "there is no such thing as failure - only results". As long as we learn from results we will improve.

What would you say of a man who failed in business at 21, lost in a local election at 22, failed a second business at 24, had a nervous breakdown at 27, joined federal politics and lost five elections at age 34, 36, 45, 47 and 49 (and in the process failed in a third business)? Some would call him a failure.

His name was Abraham Lincoln and he became President of the

United States at aged 52.

Belief Number 2 is "whatever happens, take responsibility".

The phrase we want to hear in OTS Management is "I am responsible, I'll take care of it". This is the phrase uttered by all great leaders and achievers; they believe that the shape of their world is created by themselves.

Lesser people look for others to blame.

Yet others say "I am responsible, I'll try to take care of it". This doesn't work. Don't try. As soon as you "try" you will fail. If you believe in your responsibility - *decide* - and get it done.

