



April 2011

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Hot Topics

How to Get Paid to Innovate



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See below for full article.

FBT: Things You Should Know



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See below for full article.

Need to Hold a Difficult Conversation with a Staff Member at Work?



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See below for full article.

Has Your Rental Property Been Damaged or Destroyed by a Natural Disaster?



The impacts of a natural disaster may affect the types of expenses you can claim and the income you need to report for your rental property.

See below for full article.

Important Dates To Remember

21 April

March 2011 Monthly Activity Statement – lodge and pay.

21 May

April 2011 Monthly Activity Statement – lodge and pay.

28 May

Fringe Benefits Tax Annual Return – lodge and pay, where required.

21 June

May 2011 Monthly Activity Statement – lodge and pay.

What's Happening at Marsh Tincknell

New Team Member – Cammie Nott



Cammie Nott joined the Administration Team last month as a Typing Assistant to replace Shannon Atkin who has commenced her maternity leave. Cammie has 6 years experience in administration and holds a Certificate III in Business Administration. Previously Cammie has worked for Queensland Health and CSIRO.

In her spare time, Cammie enjoys going to the beach and the movies as well as playing soccer, basket ball and tennis.

March's Casual Dress Day - The UNICEF Japan Emergency Appeal



The effects of the earthquake and consequent tsunami have devastated tens of thousands of lives across the North East coast of Japan. An already cataclysmic catastrophe is further compounded by the ongoing nuclear crisis, which threatens millions more people. The UNICEF Japan Emergency Appeal is assisting the people of Japan, particularly the children who have been affected to rebuild their lives.

It is this Charity, nominated by one of our Accountants, Brett Dunn that Marsh Tincknell raised funds for during the March Casual Dress Day.

Staff Farewell – Teresa Dore



It is with much sadness that we announce the departure of Teresa Dore. Teresa was a valued team member of Marsh Tincknell, serving 16 years with the company working her way up from an Office Junior to Personal Assistant to Peter Marsh. As such an integral part of the team for the past 16 years, Teresa will be dearly missed by all. We wish her all the best in her future endeavours!

Staff Farewell – Sanio Sofric



With further sadness we regret to announce the departure of Sanio Sofric. Sanio began with Marsh Tincknell as an Undergraduate Accountant in the Peter Marsh/Ed Glasson Team of Accountants in 2008. Sanio has decided to make a directional change to his career and is considering a move to Commerce. We wish Sanio the best of luck in his career and know he will find success in whatever he does.

“Don't follow where the path may lead. Go instead where there is no path and leave a trail.”

Harold R. McAlindon

Hot Topics - continued

How to Get Paid to Innovate

In small business, you often need to innovate to survive. Despite this, the level of research and development (R&D) claims by the small business community is minuscule. While small business employs about half of the workforce, it only represents just over 10% of all R&D claimed.

But many Small and Medium Enterprises (SMEs) complete research and development work in their business without recognising that this is what they are doing. If your business is undertaking R&D work, then you could be eligible for additional tax concessions or even a cash refund from the Government.

So, what's holding everyone back?

Let's call it the scientist syndrome. R&D is often thought of as being something that people in lab coats do with test tubes in a fairly clinical environment. The reality however is that where a business seeks out innovation, is testing and trialling processes, and where there is an inherent risk that the test might fail, then it is likely the work being carried out is R&D. It's all about developing new products or product variations that can be commercialised to add value to your business. Your testing might be carried out in your factory, office, or warehouse. You don't need a research laboratory and a science degree to qualify.

There is a government incentive program for R&D work carried out by business. This is administered through Ausindustry but your claim is made through your tax return. To make a claim you need to be registered prior to lodging your tax return. Once your claim is submitted to Ausindustry, they will provide you with a claim number and this is included in your tax return. Your application to Ausindustry must be made by no later than 10 months after the end of the financial year. So, assuming you have a 30 June balance date, you need to have submitted your application by 30 April. This only gives you limited time to act.

The two main concessions currently are:

- 125% R&D Tax Concession - This is a general concession allowing eligible companies to deduct 125% of eligible R&D expenditure incurred on eligible Australian-owned R&D activities in their annual tax returns. The basic eligibility requirements must be satisfied to access this tax concession.
- R&D Tax Offset - This tax offset allows small companies who are in a tax loss to cash out their tax concession entitlements. The tax offset is paid at the rate of 30 cents for each dollar of deduction that would have otherwise been claimable. For early stage companies (or where you are in a tax loss position), this can be a valuable boost to your cash flow. You can cash-out the tax losses that have been incurred in your R&D work.

To be eligible for the R&D tax concession, you must meet all of the eligibility requirements. It is important that you have assessed your eligibility for a specific claim. The basic requirements to be satisfied to access the R&D tax concessions are:

- The entity must be a company incorporated in Australia, not acting in the capacity as a trustee.
- The activities must qualify as R&D activities. R&D activities are activities which are either 'systematic,

investigative and experimental activities involving innovation or high levels of technical risk' (SIE activities), or activities which are directly related to carrying on the SIE activities.

- A R&D plan and adequate R&D records are maintained.
- A minimum of \$20,000 R&D expenditure was incurred unless the R&D is contracted to an approved Registered Research Agency.

There are some additional requirements for claiming the tax offset and premium.

If you think your business might be eligible for the concessions, speak to us today. You are likely to need advice in this area and assistance to prepare your claim. Like most other tax areas, you self-assess your R&D claim but need to be able to substantiate it if it is queried or subject to audit. Where you are undertaking R&D activities you should take advantage of these additional assistance programs as they will help defray some of your costs and provide a cash flow boost.

FBT: Things You Should Know

The FBT year runs from 1 April to 31 March. FBT is one of those areas that many employers struggle with; not because the tax is complex but because of the level of detail required to fulfil your obligations.

A problem area: Reportable superannuation contributions

Reportable superannuation contributions need to be disclosed on employee payment summaries. The need to report reportable superannuation contributions has been in place since 2010 but it is clear that employers are making mistakes.

Broadly, contributions made by an employer will be captured by these disclosure rules if the employee has had the ability to influence the amount of a super contribution or the manner in which it is contributed. The following are examples of situations in which employers would be required to disclose the contributions on payment summaries:

- Contributions made under an effective salary sacrifice arrangement in excess of the 9% super guarantee amount;
- Contributions in excess of the 9% super guarantee amount that are made in accordance with an employment contract or agreement;
- Contributions that exceed the 9% super guarantee amount and are made to family members who are employed by a family-owned business.

It is important to note that the \$2,000 threshold that normally applies to reporting fringe benefits on payment summaries does not apply to reportable super contributions.

Even though the employee will not be taxed on the amounts reported, they will be taken into account in determining entitlement to certain tax and Centrelink benefits as well as liability for certain tax liabilities such

as Medicare levy surcharge.

How do I know if I need to pay FBT?

Here are some key questions you should ask yourself:

- Do you make vehicles owned by the business available to employees for their personal use?
- Do you provide loans at reduced interest rates to employees?
- Have you released an employee from a debt they owed?
- Have you paid for, or reimbursed, an expense incurred by an employee?
- Do you provide a house or unit of accommodation to your employees?
- Do you provide employees allowances for living away from home?
- Do you provide entertainment - food, drink or a form of recreation - to your employees?
- Do any of your employees have a salary package arrangement in place?
- Have you provided your employees with goods at a lower price than they are normally sold to the public?

Answer 'yes' to any of these and you are likely to be caught by FBT.

Need to Hold a Difficult Conversation with a Staff Member at Work?

Here are Some Tips to Help you Get it Right.

Managers often describe performance counselling as the most stressful activity they have to undertake. All too often, managers find an excuse to avoid having the difficult conversation they need to have with employees whose behaviour has deviated from the organisation's required standards. In the long term this can create problems for the manager, the organisation and the employee. Also, when managers do muster up the courage to have the difficult conversation, they often do so clumsily, which can exacerbate the situation.

The need to give feedback

The need to give feedback is best highlighted by looking at the consequences of not giving feedback.

Here are some of those consequences:

1. Employee's performance remains low.
2. Employee's career prospects can be affected.

3. Other team members become demoralised.
4. The issue can become harder to address later on.
5. The issue can delay the employee's entry into a formal counselling process (if required).
6. Business productivity can be affected.
7. Employees remain unaware of their actions and behaviours.
8. The Manager's own performance review and prospects may suffer.

Tips to successful conversations that might otherwise have been difficult

So how do you hold difficult conversations that are constructive and professional and that don't lead to further grievance or conflict?

Here are some tips that might help you prepare:

1. Firstly, **seek permission** from the person to provide feedback. Even if you are the person's supervisor or manager, start the conversation by saying that you have some feedback that you would like to share. Ensure that the time and place is appropriate and acceptable to them. (Don't just barge into it because you have steeled yourself to do it now.)
2. Advise the person at the start of the conversation that the feedback is difficult to share and **give the person a chance to prepare mentally** for potentially embarrassing feedback. If you feel uncomfortable in the situation, you may like to express that as well.
3. Make sure the feedback is well supported by **facts and examples** to ensure that it is not vague and ill defined.
4. Direct the **feedback at behaviours** and not at the person or their personality.
5. Ensure that you do not discount or apologise for the feedback. It is important to **take responsibility** for what you are passing on.
6. Make sure that **communication is two way** and is a discussion. Be open to valid explanation, but focus on the solution and not on attributing blame.
7. **Advise the person of the positive impacts that change will make** for their career and job.
8. **Agree on and set a deadline for what the person will do** to improve their behaviour or change the problematic situation. Ensure that you involve them in the process and get their input into the plan. Set a time to sit down and review their progress.
9. **When following up, be honest.** Provide positive or negative feedback as needed. In some cases, a counselling or disciplinary procedure may be the logical next step.

As hard as these types of conversations can be, it is good that you care enough about the person's success as a valued employee to make the time and effort to hold these discussions. Above all, unless the matter is of an unlawful nature, maintain happiness in your workplace by keeping the discussions confidential.

If feedback is planned and managed sensitively, the response is usually positive. Planning doesn't of course guarantee a positive response. But a lack of planning and technique will make a positive response far less likely. You can't always tell staff what they want to hear, however you can tell them in a way they will be prepared to listen.

Has Your Rental Property Been Damaged or Destroyed by a Natural Disaster?

The impacts of a natural disaster may affect the types of expenses you can claim and the income you need to report for your rental property.

The issues you may need to consider include:

- claiming expenses for repairs
- replacement of capital items such as a kitchen or bathroom
- rebuilding costs and capital gains tax (CGT) implications where a property is destroyed
- taxation treatment of insurance compensation payments

Claiming expenses for repairs

A repair is any work required to make good or remedy defects in, damage to or deterioration of the property, for example:

- replacing part of the guttering or windows damaged in a cyclone
- replacing part of a fence damaged by a bushfire
- replacing the plaster board in a wall damaged by flood inundation
- repairing electrical wiring or machinery damaged by a flood.
- repairing damaged equipment or fittings

Where a property may not be able to be rented out for a particular time due to the need for repairs to make it habitable again, a claim for repairs will be an allowable deduction provided the property was rented out immediately prior to the repairs being needed and the damage being repaired occurred during the rental period.

Replacing capital items

If you have to replace something identifiable as a separate item of capital equipment (such as a complete fence or building, a stove, kitchen cupboards or a refrigerator) you have not carried out a repair. This means you cannot claim the entire replacement cost you incurred in the year you incurred it. However, you may be able to claim the cost, spread over a number of income years, as a capital works deduction or a deduction for decline in value.

Also, if you have replaced a depreciating asset costing \$300 or less, you may be able to claim an immediate deduction for that item.

If you conduct a project that includes both repairs and replacement of capital items, you can only claim a deduction for the cost of your repairs if you can separate the cost of the repairs from the cost of the capital items.

If you hire a builder or other professional to carry out these works for you, you should ask for an itemised invoice to help work out your claim.

Where a property is destroyed

If your rental property was destroyed by a natural disaster, any costs to rebuild are capital and not immediately deductible. However, you may be able to claim a deduction for the rebuilding costs of your property over a forty-year period.

You may also have a liability to CGT when you first receive compensation for the loss or destruction. If you do not receive any compensation, there will be a CGT loss when the destruction occurred.

If you have been claiming a capital works deduction for a rental property, you can claim a deduction for the remaining amount of undeducted construction expenditure that has not yet been deducted, less any compensation you receive or are entitled to receive. This applies even if the destruction or demolition is voluntary.

Insurance payments

If you receive income other than rent for your rental property (for example, an insurance payout for lost rent), you must include this amount as income on your tax return.

If the insurance payment is for a loss of a depreciating asset, then you need to include the profit or loss on disposal of that asset in your tax return.

If the insurance payment is for the loss of buildings or other capital works include the capital gain or loss in your tax return.

Marsh Tincknell Chartered Accountants

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