

**December 2011**

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Hot Topics



The business realities of managing Christmas

The Christmas season affects different businesses in different ways and can have a significant impact on you. For some, it is boom times but for others, a period of significant dislocation.

Because of these differences, there is not a one size fits all answer to the best way to prepare and manage the season. You need to look at your business model and how the season affects your customers and suppliers. Armed with this information, what you need to be doing should be reasonably predictable.

- See below for full article



Santa's Tax Advice

Dear Santa,

Thank you for the opportunity to provide advice on your Australian tax position. We are concerned by a number of areas of your operation that will no doubt come under scrutiny by the ATO. We note these below:

GST

Most goods imported into Australia with a value above \$1,000 are subject to GST. With approximately 4,329,000 children in Australia on your list, averaging \$40 per gift (depending on whether they have been naughty or nice), we estimate that you will be liable for GST in excess of \$17,317,192. We need to discuss tax structuring urgently.

We are also concerned that you also may face other commercial issues from Australian retailers who will perceive your 'gift' giving as a hostile attempt to gain market share (please Google recent comments by Gerry Harvey and GST). - See below for full article



Tax efficient gift giving

Giving to your team

- Christmas celebrations at your work on a working day are likely to be exempt from FBT.
- Keep the cost of celebrations below \$300 per person to ensure the event is a minor benefit for FBT purposes and exempt from FBT (including meals, beverages, entertainment, etc.).
- Keep any Christmas presents below \$300 per person and ensure they are 'one-off' gifts. They need to be ad-hoc to be exempt from FBT.
- You can't deduct the cost of your Christmas celebrations for team members unless FBT applies.

Clients and Christmas

- Entertaining your clients at Christmas is not tax deductible. Sorry.
- Give a gift instead – gifts are deductible as long as the gift is given by the business with the expectation that the business will benefit (i.e., the gift is given with the expectation of generating revenue).

Important Dates To Remember

15 January

Income tax return for taxable large/medium business taxpayers as per last year lodged (all entities other than individuals) due date for lodging, unless required earlier.

21 January

Quarterly PAYG instalment activity statement, quarter 2, 2011 – 12 for head companies of consolidated groups – due date for lodging and paying.

28 January

Superannuation Guarantee Contributions, quarter 2 2011 – contributions to be made to fund by this date.

28 February

Income tax return for non-taxable large/medium business taxpayers as per the latest year lodged (all entities other than individuals) due date for lodging.

Quarterly Business Activity Statement, quarter 2, 2011 – due date for lodging and paying.

31 March

Income tax return for companies and superfunds with total income in excess of \$2 million in the latest year lodged (excluding large/medium business taxpayers) – due date for lodging unless due earlier.

What's Happening at Marsh Tincknell

November's Casual Dress Day



November's casual dress day raised funds for ***"The Face Grown, Hand Brushed Movember."*** During November each year, Movember is responsible for the sprouting of moustaches on thousands of men's faces in Australia and around the world. The aim of which is to raise vital funds and awareness for men's health, specifically prostate cancer and depression in men." Our very own Brett Dunn and Scott Bailey were the Marsh Tincknell sponsored buccaneers for the month. Well done guys! For more information please visit: <http://au.movember.com/about/>

Christmas Women in Business Breakfast



This month we were joined by Suzi Woodrow-Read of *Performance Frontiers*. Suzi is a specialist in the area of Organisational Development and draws upon 15 years of experience in the fields of communication, education and performance to promote interpersonal clarity in her clients and facilitate change. Suzi brought to the table a very interesting discussion on the complexity of business communication, different ways in which it can facilitate relationship development and ultimately how it can drive personal and business success. Thank you again to all those that attended the breakfast and we look forward to sharing similar breakfasts with you in the New Year!

Quote of the month

"Maybe Christmas, the Grinch thought, doesn't come from a store."

- Dr Seuss

The office of Marsh Tincknell will close on Wednesday 21 December at 5.00pm and re-open on Tuesday 3 January 2012 at 8.30am

On behalf of all of us at Marsh Tincknell we would like to wish you a very Safe and Merry Christmas and New Year

Hot Topics – continued

The business realities of managing Christmas – cont'd

Any period where operating conditions change means that there can be an impact on your profitability and cash flow. You need to look at both of these areas.

If you carry debtors, be aware that many of your customer's suppliers will be trying to collect their accounts prior to the Christmas season. And, of course, some of those customers may have a close down period or have people away over January who approve or authorise payments. Don't be last on the payment list. If you have customers who are cash flow stretched then it will be 'first in first served'. If you are too slow in chasing your accounts you may be waiting until February to collect your money. Get to them early and have a concerted follow up approach to get your cash in.

If you carry trading stock, you need to find a balance between ensuring that you have enough stock to satisfy demand during what may be a busy trading period and over-committing and finding yourself with surplus stock. Where your stock is either seasonal or time limited, this balance is critical. See if you can have a range of suppliers that can supply on short notice. If you can have your suppliers carry your stock for you or who will supply you on a consignment basis, this will significantly improve your cash flow position.

The sale signs are already all over town and this will only escalate through January. Understand the impact of your pricing and the effect of any discounting you offer. We all want to make that extra sale but don't get sucked into discounting yourself into a loss. You need to get the balance right between pricing to be competitive and pricing that returns a profit to your business. Know your numbers and make informed decisions.

The Christmas period can bring an increase in operating costs. This can include additional wage costs and penalty rates, end of year bonuses and Christmas gifts. Where your business has a close down period over Christmas, the impact of these increased costs can be compounded by a reduction in revenue. The key is to understand the effect of the period and build it into your budget - you need to do this at a trading level and also map the cash flow effect. Once you understand the impact, ensure that you can afford it and don't over commit your business. Too much Xmas spirit can be deadly.

Manage the festive period and your business will start the New Year fit and healthy.

Santa's Tax Advice – cont'd

Santa's little helpers

Superannuation guarantee

A review should be completed of the employment status of any 'Santa's little helpers' based in Australia to determine if they are contractors or employees. If the helpers are deemed to be employees, you may be liable for the 9% superannuation guarantee (for this year and all other years). It may be hard to argue that they are truly independent given the level of corporate branding involved.

If the helpers are indeed 'volunteers' we will need to consult with an employment lawyer regarding potential slave labour issues and discrimination of a minority group.

Living away from home allowance

If any of the little helpers currently based in Australia are receiving living away from home allowances (LAFHA), we will need to review and restructure these arrangements early in the New Year. The Government has recently announced a series of significant changes to the LAFHA rules that will require all employers currently making use of these concessions to review their arrangements.

Cookies, milk and other non-cash benefits

There is the potential for the 'gifts' you receive from children at Christmas to be taxed as non-cash business benefits. That is, the cookies, milk, scotch and other benefits you receive may be considered income by the tax office and tax applied to the value of those benefits.

Depreciating your reindeer

In the event that you are liable to pay tax under Australian law, there might be an opportunity to depreciate the cost of your reindeer over their effective lives.

There are currently no provisions within Australian tax law to allow the Commissioner the discretion to ignore your tax liabilities as a goodwill gesture.

Please contact us urgently regarding these issues.

Thank you.