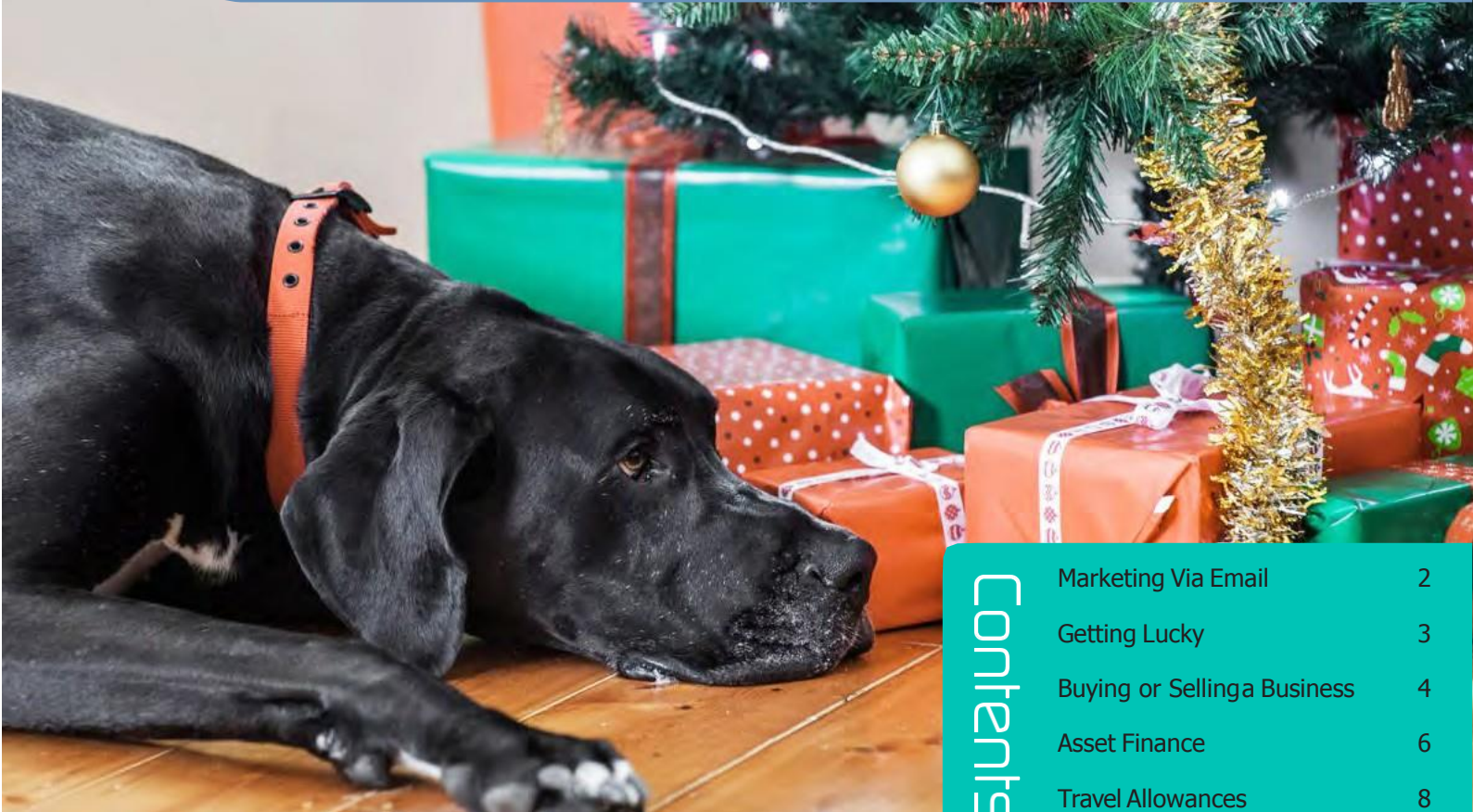


Contact us on 02 8924 2084 / 0425 282 622 should you need to discuss any of the matters below.
hornsbysbaaccounting.com.au

Summer Newsletter



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Summer is here!

With the AFL, NRL and the Spring Racing carnival well and truly behind us, it is now time for sports lovers to look forward to watching the "Aussies" towel up the "Poms" in the cricket as was seen with a terrific result for Australia in Brisbane.

The year has raced by, and with summer and Christmas just around the corner, it is time to start thinking about the new year and begin planning for 2018.

We would like to thank you for selecting our business in 2017, and wish you a very Merry Christmas and happy and prosperous New Year.

If there are any specific areas of interest to you in this newsletter, please give us a call or send us an email with your questions and we would be delighted to assist.

We hope you enjoy the read.

General Advice Warning

Information provided in this newsletter is general in nature only and does not constitute personal advice. The information has been prepared without taking into account your personal objectives or needs. Before acting on any information in this newsletter you should consider the appropriateness of the information having regard to your objectives and needs.

MARKETING VIA EMAIL

Many of our clients who operate small to medium sized enterprises operate on a tight marketing budget. Typically, there would be only one or two people handling email-marketing activities.

To get the best return on your investment you need clean and current email lists, relevant email content and some sort of tracking system to monitor the results of the campaigns.

Here are seven tips to help you efficiently create, send and track email campaigns that deliver results:

1.

Build your contact list from people that have expressed an interest in hearing about your product or service, via opt-in boxes either on your website or on previous purchases. Having prior consent or permission to send an email to someone obviously helps the deliverable success rate and ideally you want the receiver to recognise you as the sender. Segmenting your customer or client list allows you to target different markets with tailored offers so you get better results.

2.

If your contact list is outdated, you are at risk of being blacklisted or blocked which will make it hard for your future emails to be delivered. If you are concerned that you might already be blacklisted, check your domain name and IP address at sites whatismyipaddress.com

3.

Where possible, personalise your emails. While it's almost impossible to write an email that works for your entire contact list, by focusing your message on your key customers you will get better results and keep your top customers happy. Make sure you include a clear call-to-action that tells your customers what to do next – click here for a free copy, register here, read more, get a free sample etc.

4.

Once you have established whom you are sending your email to you need to work on the subject line. In a sense, it's the headline or advertisement for your email so you need to make it appealing to your target market. With subject lines, often less is best. For example, "Limited Time Only" is more compelling than "Amazing Once-In-A-Lifetime Deal!" Keywords are critical and the right headline will have a better chance of getting through your prospect's spam filters.

5.

By using your own website, domain name and email address with your domain name in the address, your emails are more likely to be recognised and opened than if you used a Gmail, Yahoo or Hotmail address. At the beginning of each email ask your email recipients to add your address to their address book to improve future deliverability. Include an email submission form on your website to help build your list.

6.

They say a picture paints a thousand words. Keep your content simple with a good balance of text and images. Customers love images and you should make the images clickable to support your call to action. Emails containing JavaScript and attachments also tend to send a red flag.

7.

Trial and error is a proven way to test email campaigns. If possible, divide your contact list into sections and send half one email and the other half a different message. This is 'split testing' and you need to monitor the open rate and response rate to the respective emails. This lets you then select a winner and next time create a new email to go up against the winner. It's all about continual improvement. By checking your campaign's open and click-through rates you will gain an insight into what content and subject lines work best.

We hope this list gives you a few ideas and you build up personalized statistics to create benchmarks that you can measure future email campaigns against.

Getting Lucky

A British Psychology professor at the University of Hertfordshire, Richard Wiseman, has been studying how luck plays a role in our lives.



Conventional wisdom states that luck is a matter of chance, similar to rolling a pair of dice.

We all know someone who seems to snatch up the best job opportunities, stumbles upon a great idea, maintains a happy relationship or even owns a portfolio of shares that always seem to rise in value.

Richard Wiseman scrutinized a question, what makes some people luckier than others, how opportunities come about and their impact on people's lives. He began by examining the difference between self-professed lucky and unlucky people.

He wanted to see how opportunities come about and their impact on people's lives. He began by examining the difference between self-professed lucky and unlucky people.

Wiseman found that lucky people score significantly higher on extroversion. They smile twice as often and engage in more eye contact. Their sociability, Wiseman explains, helps them increase their likelihood of a lucky opportunity because they meet more people, connect better, and maintain relationships.

Unlucky people, on the other hand, scored twice as high on neuroticism. To see how anxiety affected people, subjects watched a moving dot in the center of a computer screen, as large dots unexpectedly flashed at the edges of the screen. Almost all participants noticed these dots.

To increase anxiousness, the experiment was repeated with a new group, who were offered a financial award to focus on the center dot. More than a third missed the large dots on the edge of the screen that popped up.

The conclusion was that whilst anxiety helps us focus on a task, it also blinds us to other opportunities. As a result, unlucky people miss out on prospects because they're too busy worrying about one thing. They develop tunnel vision in their career, missing viable job opportunities. Or, they might talk to a few select people at a social gathering, and then lose out on meeting other interesting people.

Lucky people, on the other hand, are open to new experiences. They are more willing to talk to new people, travel to new places, and try new things and avoid risk for fear of loss or failure.

Wiseman conducted another experiment. This time, he gave people a newspaper and asked them to count the number of photographs inside. Unlucky people took about two minutes to count the photographs. Lucky people took seconds.

On the second page, there was a large message that read: "Stop counting. There are 43 photographs in this newspaper." Unlucky people tended to miss the message, while lucky people spotted it right away. The self-professed lucky people were simply more observant.

Lucky people are also optimistic. They have positive expectations, which lead to self-fulfilling prophecies. Even if things take a turn for the worse, they can spot the good in a situation. Unlucky people might see the same situation and only point out the negatives.

Not only do positive expectations help people become happier, but they can also help make the most of difficult situations.

How to increase your luck

To see if unlucky people could turn their luck around, Wiseman enrolled his participants in his "luck school", where he put people through a series of exercises to increase their luck. The results were astonishing.

After one month of enrollment, 80 percent of people reported themselves as happier, more satisfied with their lives, and most importantly, luckier. The lucky ones became luckier, and the unlucky turned lucky. They had been taught how to spot good opportunities, have a positive outlook, and to make better decisions.

To increase your luck, you can practice what the "luck school" participants did:

- **Keep an open mind (and pair of eyes).** Worrying about obtaining a goal endlessly can unknowingly close you off to other possibilities. Having an open attitude

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Getting Lucky

and looking around for new opportunities can open you up to lucky chances.

- **Look on the positive side.**

Focusing only on the negatives dampens your spirits and future expectations. When you go from complaining about scraping your knee to being grateful that it was not any worse, it becomes easier to try new things.

- **Do something out of the ordinary this week.**

Routines can lead to ruts, whether it is talking to the same people, eating the same food, or doing the same type of work. Stepping outside your boundary increases the likelihood of a lucky break.

Many often attribute other people's fortunes to good luck, while their own misfortunes are the result of bad luck. It is true that some people are born with advantages, or events happen to us that are outside our control.

You can always do something to build upon what you have. When you open yourself to new places, practice gratitude, and step outside your routine, you might find yourself getting lucky.



BUYING OR SELLING A BUSINESS

Many clients looking to increase the size of their business look to make bolt on acquisitions.

Likewise, on retirement or in another phase of a career as a self-employed business owner others look to sell the business and build up a nest egg from the years of hard work.


One area often overlooked is the GST impact from buying or selling a business.

In the excitement of negotiating a sale or purchase of a business, it is easy to overlook whether the price negotiated is inclusive or exclusive of GST.

Often both parties assume that business sales are GST-free without examining the ingredients of a GST-free transaction.

It is obviously desirable for both parties to have a GST-free transaction as it provides certainty over the negotiated price and there is no need to 'clawback' GST from a subsequent BAS.





The Australian Taxation Office created an exemption for the sales of businesses to be exempt from GST as long as the business is a 'going concern'.

What this means in reality is that the business is actually sold for a consideration, that it is operational up until the day of sale and that the sale includes everything necessary for the buyer to continue operations.

The essential aspects of a sale being “ruled” as a ‘going concern’ include:

1. The sale is for consideration.
2. Both parties must be registered for GST.
3. The sale contract specifies that the business is being sold as a going concern.
4. The seller must include everything that is required for the running of the business and any exclusions could mean that the sale fails the going concern test. This does not require that everything owned by the business must be included in the sale, only the things necessary for the business to function in the hands of the new owner. Generally this would include the premises (see below), plant and equipment, customer and other contracts such as ongoing advertising, etc.
5. The premises from where the seller operates must be included in the sale (except for home-based or mobile businesses, both of which fall under strict ATO rules in these circumstances), therefore leased premises must be assigned or surrendered so that a new lease can start for the buyer.
6. If the business closes in the lead up to the sale this will nullify going concern – something to watch for if there are plans to renovate on handover. The seller must trade up until the 'day of sale', generally meaning settlement date, however in some circumstances the deemed 'day of sale' can occur before or after settlement date.
7. Sellers with different entities owning different parts of the business should investigate their ownership structure well before sales negotiations commence. These different entities may cause the sale to not satisfy the above rules.

A sale between two registered entities has a tax neutral outcome as the purchaser pays the 10% GST and receives it back from the Tax Office. The seller receives the 10% of the purchase price and remits it back to the ATO. From a cash flow point of view the purchaser is not going to want to have to find the additional money on top of the purchase price which they then have to wait to recoup with their next Business Activity Statement. The seller also does not want to receive less than the negotiated purchase price.

The purchase price should be negotiated and written into the sales contract as GST exclusive so both parties know exactly where they stand. Contracts that are silent are deemed to be GST inclusive. It is worth including a clause in the contract that if you are selling, if for any reason the Tax Office deems the sale to not be a going concern, then the seller can require the buyer to pay the GST.

If you have any concerns about selling or buying a business as a ‘going concern’ contact us today, we are here to help.



ASSET FINANCE

When preparing tax returns it is obvious that too many clients are not choosing the right type of asset finance.

Getting advice in this area instead of using the sales team from where you purchased a car, or the local bank can save both time and money.

Time that may be better off used to invest in your business.

Getting the right finance can also reduce the risk of owning obsolete equipment at the end of the period.

Using tax effective finance for vehicles for commercial and personal use to heavy machinery and shop or an office fit-out has a different outcome depending on rate and the asset and ownership structures.

When financing equipment such as furniture and technology for offices, medical institutions, retail shops, warehouses and factories again it is not just about rate.

Our brokers suggest when considering asset finance options, ask yourself:

- n How much capital do I need to grow my business?
- n When do I need to smooth the bumps in my cash flow?
- n What are the tax outcomes of asset financing?
- n How long will I need the equipment and will I need to upgrade it?
- n Is technology rapidly changing in my industry?
- n Do I want to 'finance to own' or 'finance to return' my asset?

Generally speaking, asset finance options include: Commercial Hire Purchases; Financial and Operating Leases; Chattel Mortgages; Novated Leases; and Technology Rentals. Each is suited to different commercial circumstances, so when considering your options, you may want to talk to your accountant or tax advisor.

Below is an introduction to these main types of asset finance.

COMMERCIAL HIRE PURCHASE

With this type of finance, you hire and use the asset until the last payment. When you make the final instalment, title of the asset transfers to you. You can tailor payment options, including the loan period, a deposit and a larger final balloon payment. To help manage your cash flow, structured payments can be established according to your cash flow.

CHATTEL MORTGAGE

Chattel Mortgages are a popular finance solution where you own the asset from the outset and your loan agreement is secured by the asset. You can tailor your loan payments by choosing the term — typically up to five years. Other payment options can include a deposit and a larger final instalment. You can also structure payments to free up cash flow at the times of year you need it most.

FINANCE LEASE

With a Finance Lease, the financier owns the asset however you bear the risk of disposal (of the asset) at the end of lease. This type of lease can benefit businesses that need the latest vehicles or equipment without tying up a large amount of capital. You can choose lease payments in advance or arrears and terms up to five years. A residual value is required in line with the asset's use and the Australian Taxation Office's guidelines.

NOVATED LEASE

If you want to include a vehicle in your salary package, a Novated Lease can help. The financier owns the asset, while you and your employer sign a novation agreement to share the responsibilities of the loan. Typically loan terms are from 12 months to 5 years. Monthly lease payments and a final residual payment are based on your circumstances and guidelines set by the Australian Taxation Office. If you are interested in a Novated Lease, talk to your HR department for options.



OPERATING LEASES

Operating Leases can be used to fund a number of different assets. Payments towards this type of finance can be considered operating costs and will not appear as a liability on your balance sheet:

You can reduce the risk of owning obsolete equipment.

FLEET OPERATING LEASE

With this type of finance, the financier owns the vehicle and the client returns it at the end of the term, usually from 12 months to 5 years. When leasing a vehicle, the fixed monthly payments typically cover registration, insurance, tyres and scheduled servicing and maintenance. For a small business, a Fleet Operating Lease can help free up time and resources.

TECHNOLOGY RENTALS/LEASE

Technology can change quickly and often the large up-front costs of purchasing the latest equipment will

make a big dent in your cash flow. Renting rather than owning technology can help reduce the risk of owning obsolete equipment while preserving cash to grow your business.

Similar to a Fleet Lease, the financier owns the equipment and the client returns it at the end of the term, usually within 3 years. The term and payment frequency of rental agreements can often be adjusted to meet a company's budget and unique business requirements.

There are a range of different forms of commercial loans and leases available in the market and these are governed by certain conditions and circumstances, which may exclude you.

If you do not have a finance broker, we have one we recommend that works closely with accountants and their clients.

If you would like to get an introduction let us know and we can introduce you.



Travel Allowances

A travel allowance is a payment made to employees to cover accommodation, food, drink or incidental expenses they incur when they travel away from their home overnight in the course of their duties.

In most circumstances, when claiming deductions, you need to substantiate the expense claimed with documentary evidence, and produce that evidence should the ATO request it.

However, an exception to substantiate claims applies to travel allowance expenses if the ATO considers the total claimed to be “reasonable” and to be no more than the allowance provided.

There are three administrative concessions that relate to travel allowances - for employees there is the substantiation exception as mentioned above, but for employers there is also a withholding exception and a payment summary exception.

Recently the ATO has been at pains to emphasise that the first of these travel allowance concessions does not extinguish the requirement for the employee to actually incur an expense. The taxpayer may not be required to substantiate it in written form like other deductible work expenses, but the expense must still have actually been incurred to be able to claim a deduction.

It will also pay to remember that if you rely on the exception from substantiation, the ATO may still require you to show the basis for determining the amount claimed, that the expense was actually incurred, and that it was for specific travel costs and for work-related purposes.

The ATO seems to be at pains to emphasise that this tax time it is targeting work-related expense claims such as travel costs - a point specifically referred to by Tax Commissioner Chris Jordan in an address made to the Press Club in Canberra in early July.

The ATO recently announced that it has noticed an increasing disparity between travel allowances paid and deductions claimed for accommodation, meals, and incidentals. The ATO claims that this has increased the incidence of it checking these claims, which has highlighted deficiencies and difficulties for employees in showing the amount claimed was incurred, or was incurred in gaining or producing their assessable income.



The introduction of what has come to be known as “self-assessment” in the mid-1980s meant that while documentary evidence of claims was required, under the substantiation rules at the time this would not have to be attached to an income tax return as a matter of course, but would need to be supplied upon request.

In more modern times and to reduce the cost of compliance in keeping detailed records, it was decided that certain exclusions from substantiation should be included in the rules - although the ATO has made it clear that if the disparity between allowances paid and deductions claimed continues, the current substantiation exception leeway in regard to travel expenses may be reviewed.

Tax specialists have indicated that this is a signal that the ATO may be moving away from the exception to substantiation precedent.

In the modern digital transaction world, the case can be made that such exceptions to substantiation are increasingly unnecessary; a point already made by the ATO. This in turn underlines the necessity to get such claims right in the first place.

For now, you can claim a deduction for travel expenses incurred, without meeting the substantiation rules, provided:

- The claim for deduction does not exceed the amount of the travel allowance received

- The travel allowance does not exceed an amount that the ATO considers “reasonable”.

The ATO publishes guidelines each year on what it considers reasonable amounts for a travelling employee (we can show you these estimates if you are interested).

These guidelines give a reasonable daily travel allowance amount and consider the following factors:

- destination of travel (broken down into metropolitan cities, country centres within Australia and international countries)
- accommodation
- meals
- other incidentals
- employee annual salary (in ranges)
- Specific rates for truck drivers.

Where the travel allowance received by the taxpayer exceeds the amount considered reasonable, the whole deduction will generally be subject to the substantiation rules, which require detailed records of the expenses to be obtained and kept.



For clients with an SMSF

One overarching fundamental that SMSF trustees should ideally keep in mind is the sole purpose test - that is, every decision made and action taken is required to be seen as being undertaken for the sole purpose of providing retirement benefits for the fund's members.

If an SMSF trustee incurs an expense in the usual operation of the fund, this will generally give rise to a deductible expense against assessable income.

Another overarching element to keep in mind with regard to an SMSF can be found in that word "assessable". Any expense incurred to gain or produce non-assessable income (a good example in these cases being a pension) do not give rise to a deduction being available). Also remember that a trustee cannot be "remunerated" for their role.

The ATO states a general principle in its ruling on SMSF deductions, which trustees can keep in mind. This general principle says that expenditure of a superannuation fund "which is not of capital, private or domestic nature" is deductible to the extent that:

- it has the essential character of an outgoing incurred in gaining or producing assessable income, or
- It has the character of an operating or working expense of a business or is an essential part of the cost of the fund's business operations.

Again in keeping with general taxation principles, if the fund has both accumulation and pension phase accounts, expenses incurred to produce both assessable income as well as to gain non-assessable or exempt income will be required to be apportioned. As there are various methods of apportionment, depending on whether the SMSF's assets are segregated or not, it may be best to consult this office. Remember also that some costs can be incurred with managing assets, but care needs to be taken as these may partly support a pension income stream.

THE SPECIFICS

The ATO has published guidance to allow for certain expenses to be deductible to an SMSF. Its guidance says "the following types of expenses typically incurred by a superannuation fund are ordinary deductible". They are:

- actuarial costs
- accountancy fees
- audit fees
- cost of complying with a "regulatory provision" (that is, government regulations) unless the costs is a capital expense
- costs in connection with the calculation and payment of benefits to members (but not the cost of the benefit itself)

- investment adviser fees and costs in providing preretirement services to members
- subscriptions for membership paid by a fund to The Association of Superannuation Funds of Australia Limited and other such industry bodies, and
- other administrative costs incurred in managing the fund.

Note: The first two are accompanied by a conditional note inserted by the ATO, which states "except those incurred in complying with, or managing, the fund's income tax affairs and obligations which are ordinary deductible".

For other expenses that the ATO recognises as being commonly incurred by an SMSF, it makes the following comments:

- the superannuation supervisory levy is deductible as a tax-related expense (however, any penalty for late payment of the levy is not),
- the deductibility of legal expenses usually depends on whether the expenses are of a capital or revenue nature,
- up-front costs incurred in investing money are of a capital nature and are not deductible,
- investment or administration charges levied by a life assurance company or pooled superannuation trust will generally not be deductible to the fund, and
- the costs of amending trust deeds are allowable as a deduction, provided the expenditure is not of a capital nature.

With regards to the latter, the ATO concedes that if deed amendments are made in order to comply with changed government regulations, or are made to ensure the SMSF's day-to-day functioning continues to satisfy compliance obligations, then the costs associated with this can generally be considered to be revenue in nature, and therefore deductible.

However most other deed amendment activities, according to ATO guidance, are deemed to be on capital account, and include:

- establishing a trust,
- executing a new deed for an existing fund, and
- Amending a deed to enlarge or significantly alter the scope of activities.

Remember also, when paying for any SMSF expenses, to ensure they are made from the fund's account, not your own or company account. There is the risk that such payments could be considered a "loan" to the fund. Likewise, all invoices should include the full name of the SMSF as well as the correct relevant details.

If you would like to discuss the virtues or pitfalls of having an SMSF gives us a call.