

# THE REPORT



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## Brian's Bit

### Lies, Damned Lies and Statistics

There may be some confusion over the author of the phrase but there is no doubt over the meaning.

By now many of you will have experienced the Australian Tax Office foray into statistics. Over the past few years they have been collecting and collating information through your annual Tax Return. Being the doyens of industry and experts at running businesses they have produced a number of Industry Benchmarks against which your business will be measured.

Now Benchmarking is usually a technique applied by the same or similar businesses within a specific industry which enables you to measure your performance against your peers. It is obvious to everyone, except the ATO, that it is only a valuable comparison when like is measured against like.

The ATO however simply groups businesses within categories established by the Bureau of Statistics. We are not privy to any methodology which may have been applied in determining the so called Benchmarks. It would appear however that there has been no allowance for the variations which occur between businesses within the same or similar industry. There does not appear to be any allowance for businesses which do not fit specifically within the Bureau of Statistics list. There does not appear to be any allowance for the differences from operating a business in a large city against country or regional areas.

Irrespective of those shortcomings, the ATO have advised the Benchmarks will be applied on a guilty until proven innocent criteria. The quality and detail of your business record keeping is now of critical importance. Should you not measure up to the ATO Benchmarks as to sales, gross profit, expenditure analysis and net profit your records will be the only defence you have against receiving amended

assessments to increase your taxable income to what the ATO thinks it should be.

We strongly recommend an in depth review of your systems, procedures and in particular your record keeping.

However you have been resilient and resourceful enough to survive to this point and I am sure you will meet this latest bureaucratic imposition in the same manner.

## CARPE DIEM

### More of Neridah's Useless Facts

A rat can last longer without water than a camel.

The dot over the letter "i" is called a tittle.

During the chariot scene in "Ben Hur" a small red car can be seen in the distance.

Charlie Chaplin once won third prize in a Charlie Chaplin look alike contest.

Chewing gum while peeling onions will keep you from crying.

The Guinness Book of Records holds the record for being the book most often stolen from public libraries.

The King of Hearts on a playing card is the only King without a moustache.

Venus is the only planet that rotates clockwise.

The little plastic things on the end of shoelaces are called aglets. (Why do you name them?).

47.2% of all statistics are made up on the spot.

### ATO focus on the cash economy

The ATO has released its Compliance program for 2010/11, which outlines the areas that are concerning them, including the cash economy.

The ATO is concerned about the deliberate under reporting or non-reporting of income that results from businesses using cash transactions to hide income and evade taxation obligations, including:

- Skimming some or all of the cash transactions;

- Running some business activities off the books;
- Paying cash in hand wages (which are then not reported);
- Avoiding obligations by not registering or lodging BAS and income tax returns; or
- Not reporting exchange of goods or services.

The Government recently allocated \$107.9 million over four years to support additional work in relation to the cash economy, which is expected to result in an additional \$491.8 million in revenue over four years.

### **Paid parental leave Bills become law**

Legislation for the Paid Parental Leave scheme has been passed by Parliament.

From 1 January 2011, the scheme will provide eligible working parents with 18 weeks of Parental Leave pay at the National Minimum Wage, currently \$570 a week before tax.

Parents and employers can find out more about the scheme, its eligibility requirements and how it will operate at [www.familyassist.gov.au](http://www.familyassist.gov.au).

### **Rural Australian Computer Terms**

WINDOW: What you shut when the weather's cold.

SCREEN: What you shut in the mozzie season.

BYTE: What mozzies do.

CHIP: A bar snack.

MICROCHIP: What's left in the bag after you've eaten the chips.

SOFTWARE: Plastic knives & forks you get in Red Rooster.

HARDWARE: Stainless steel knives & forks – from K-Mart.

MOUSE: The small rodent that eats the grain in the shed.

MAINFRAME: What holds the shed up.

WEB: What spiders make.

WEBSITE: Usually in the shed or under the veranda.

SEARCH ENGINE: What you do when the Ute won't go.

CURSOR: What you say when the Ute won't go.

YAHOO: What you say when the Ute does go.

UPGRADE: A steep hill.

USER: The neighbour that keeps borrowing things.

ONLINE: Where you hang the washing.

OFFLINE: Where the washing ends up when the pegs aren't strong enough.

### **Hazards of property for SMSFs'**

The ATO has warned that an SMSF holding property could be sued if someone is injured or dies because of faults in that property.

The ATO provided a recent example of a property owner being held liable for the death of an electrician on their premises when replacing an old solar hot water system with a new one.

Therefore, if trustees own property in their SMSF, they should make sure they are aware, to the best of their ability, of any hazards on their property and, if any hazards do exist, they should have them fixed.

They should also consider having an insurance policy in the SMSF to cover the property and public liability.

Where the property was acquired with a limited recourse borrowing under with new borrowing laws, the ATO recommends that the trustees speak with their advisors on requirements for holding any insurance.

### **Self-Managed Superannuation Funds - Borrowing to buy assets**

**YES** – the ATO has confirmed your SMSF may borrow funds to buy an asset. It does this through a "Limited Resource Borrowing" arrangement.

You borrow and pay back the lender over time. You use a special type of trust to hold the asset. These Borrowing arrangements are special. This is because the lender has no recourse against the whole of the SMSF assets if the loan defaults – they only have recourse against the specific asset.

You need a fresh Limited Resource Borrowing Arrangement for each asset – you can't pool assets, even if they are all the same type of asset. For example, you can't buy BHP and IAW shares in the same Borrowing arrangement.

### **Just for the Seniors**

Two elderly gentlemen from a retirement centre were sitting on a bench under a tree when one turns to the other and says: "Slim, I'm 83 years old now and I'm just full of aches and pains. I know you're about my age, how do you feel?"

Slim says, "I feel just like a newborn baby".

"Really!?! Like a newborn baby!?"

"Yep. No hair, no teeth, and I think I just wet my pants".

### **CHRISTMAS BREAK**

Here we are at the end of another hectic year. Perhaps not quite as financially hectic as the previous couple of years, but still enough to warrant some time to enjoy the Festive Season and rejuvenate ready for 2011.

Our office will be closed over the Christmas /New Year period

**From 11.00am Thursday 23<sup>rd</sup> December 2010**

**To 8.00am Monday 10<sup>th</sup> January 2011**

We wish you and your families a happy and joyous Christmas and a healthy and prosperous New Year.

Bev, Bianca, Brian, Cheryl, Dan, Gavin, Helen, Jess, Julie, Kathryn, Linda, Marg, Mark, Neridah, Olive, Pippa, Sally, Shirley and Sue.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek further advice to independently verify their interpretation and the information's applicability to their particular circumstances.