



CLIENT BULLETIN— APRIL 2010

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Business Success in 2010

Now that 2010 is well and truly underway, it is prudent to review your business plan to ensure you are well placed to achieve success. Some useful review points are listed below:

1. Ensure your cash flow is managed well. Cash flow is the life blood of your business and must be maintained for your business to survive.
2. Review your insurance—both for the business and its assets, and yourself and your family.
3. Interact with your bankers, accountant and lawyer and other advisors to ensure you are on top of all the relevant issues affecting your business.
4. Understand the changes that are occurring in your industry. Consider technology, your markets and buyers, changing methods of marketing and changing Government regulations.
5. Review your loans and interest rate strategy. Have you got the right 'insurance' on your interest rate exposure?
6. Where can your business grow? Growth by acquisition, revenue increase, cost control, or gross margin analysis of products/crops produced. Consider which can apply to your business.
7. Prepare the 12 month, 2 year and 5 year budget and business plan. Where do you want to take the business and your lifestyle over the next 5 years.
8. An Exit Strategy or Succession plan is just as important as a growth strategy. Do you need to diversify your assets and income to allow for transition to the next generation? What business management skills do the next generation of owners of your business need to develop.

Family Friendly Workplace

From 1 January 2010 there are several important changes in Australia's workplace laws that affect all employers and employees in the national workplace relations system.

The changes include the introduction of new National Employment Standards (NES),

The Fair Work Act provides a safety net of enforceable minimum employment terms and conditions through the NES.

The NES sets out 10 minimum workplace entitlements which apply to all employers and employees in the national workplace relations system from 1 January 2010.

In summary, the NES involve the following minimum entitlements:

Maximum weekly hours of work – 38 hours per week, plus reasonable additional hours.

Requests for flexible working arrangements – allows parents or carers of a child under school age or of a child under 18 with a disability, to request a change in working arrangements to assist with the child's care.

Parental leave and related entitlements – up to 12 months unpaid leave for every employee, plus a right to request an additional 12 months unpaid leave, plus other forms of maternity, paternity and adoption related leave.

Annual leave – 4 weeks paid leave per year, plus an additional week for certain shift workers.

Personal / carer's leave and compassionate leave – 10 days paid personal / carer's leave, two days unpaid carer's leave as required, and two days compassionate leave (unpaid for casuals) as required.

Community service leave – unpaid leave for voluntary emergency activities and leave for jury service, with an entitlement

Fringe Benefits Tax Compliance audits conducted by the ATO have shown that motor vehicles provided by employers to employees, continue to be rich pickings for the ATO. In particular, cars garaged at or near an employee's home are deemed to be available for private use of the employee, and therefore potentially liable to Fringe Benefits Tax.

From 1st July 2009, the government will temporarily reduce the superannuation co-contribution rate. Previously the maximum co-contribution an eligible person could receive was 150% of their own eligible personal superannuation contribution. This rate has been reduced to 100% of the contribution for the next 3 years, rising to 125% for the following 2 years, and returning to 150% in 2015. Superannuation Contribution limits for which a tax deduction can be claimed have been reduced in the current years to \$50,000 for people aged over 50 years, and \$25,000 for people aged under 50 years. Minimum payment amounts for account based pensions have been halved for 2010 financial year. This measure extends the drawdown relief introduced in 2009.

Insurance in Super Funds

There are several reasons why having insurance in your super fund may make good sense. Firstly, the premium for death and total and permanent disability (TPD) risk cover is tax deductible to your super fund, and your contributions to cover the cost of these premiums are generally tax deductible to you. Life insurance premiums paid by you outside your super fund are generally not tax deductible. In cases where a life insurance claim is paid by the super fund to your superannuation dependent, such a payment will be tax free to your beneficiary.

There is no limit on the amount of life insurance which you can hold in your super fund, so for large amounts of insurance where premiums are likely to rise over time, it may make good sense for your super fund to own the insurance.

The premium for income protection cover is also tax deductible but the proceeds are assessable to the fund. This is the same tax treatment as having this type of insurance outside the fund, so in the interests of simplicity it is usually best to own this type of insurance personally.

Self Education Expenses

In a recent case, a tax payer in receipt of Youth Allowance was held to be entitled to a tax deduction for self-education expenses in relation to the course

that she was undertaking. It would appear that students would need to earn over \$15,000 including Youth Allowance for these deductions to be claimed.

Youth Allowance

Mark Coulton's office has confirmed to us that many regional and remote students in the Parkes electorate will now have access to youth allowance. People considered to be rural, remote and very remote will qualify for independent youth allowance, by working 15 hours a week over two years or earning \$19,532 over an 18 month period as is currently possible under the old rules. People living in an area classified as inner regional will need to work 30 hours a week for 18 months to qualify for the independent rate of youth allowance.

Areas in the Parkes Electorate that are considered rural, remote and very remote are:

Ashley, Bingara, Boggabillia, Boggabri, Bourke, Brewarrina, Collarenebri, Coolah,

Goodooga, Gunnedah, Lightning Ridge, Moree, Mungindi, Narrabri, Pallellawalla, Walgett,

Warialda and Wee Waa. If you have any queries regarding youth allowance please contact the Centrelink Study Hotline on 13 24 90 or visit

http://www.centrelink.gov.au/internet/internet.nsf/individuals/changes_youth_allowance.htm

Moree Picnic Races 29th May, 2010

For many years we have been sponsors of the Moree Picnic Races and we shall be continuing the tradition this year. If you plan to attend the races, please come along to our hospitality site and enjoy a drink on us and say hello.

Important: This is not advice. Clients should not act solely on the basis of material contained in this report. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation occur quickly. We therefore recommend that our advice be sought before acting in any of these areas.

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to be paid for up to 10 days for jury service.

Long service leave – a transitional entitlement for certain employees who had certain LSL entitlements before 1/1/10 pending the development of a uniform national long service leave standard.

Public holidays – a paid day off on a public holiday, except where reasonably requested to work.

Notice of termination and redundancy pay – up to 4 weeks notice of termination (5 weeks if the employee is over 45 and has at least 2 years of continuous service) and up to 16 weeks redundancy pay, both based on length of service.

Provision of a Fair Work Information Statement – employers must provide this statement to all new employees. It contains information about the NES, modern awards, agreement-making, the right to freedom of association, termination of employment, individual flexibility arrangements, rights of entry, transfer of business, and the respective roles of Fair Work Australia and the Fair Work Ombudsman.

Many Businesses may not be prepared to deal with the new laws. Businesses face compliance obligations and risk fines for non compliance. Employers who ignore ‘modern awards’ may be in for a rude shock given the flexibility clause contained in each award could mean their current common-law agreements no longer insulate them from obligations to pay overtime, penalty rates and leave loading.

Other changes provide for the extension of the definition of defacto partners to include same-sex couples. Administrative staff across all industries will fall under a new clerks / private sector award.

Modern Workplace Awards

From 1 January 2010 modern awards replace existing awards in most industries.

Modern awards are industry or occupation-based enforceable minimum employment standards which apply in addition to the NES.

Modern award covers the industry in which they work.

Modern awards contain terms and conditions about:

- minimum wages
- overtime and penalty rates
- types of employment
- work arrangements (eg. rosters, variation to working hours)
- hours of work

- rest breaks
- classifications
- allowances
- leave and leave loadings
- superannuation
- procedures for consultation, representation and dispute settlement.
- Some modern awards also contain terms about redundancy.

Transition to modern awards

Modern awards were created to establish one set of minimum conditions for employers and employees across Australia who work in the same industries and occupations.

As the modern awards replace thousands of federal and state-based awards, the impact of the wages and conditions in the modern awards vary between states, industries and employers.

To lessen the financial impact of the new arrangements, modern awards may contain transitional provisions which allow increases and decreases in minimum conditions to be progressively phased in.

Modern awards may contain:

- a model phasing schedule
- transitional provisions specific to the modern award
- no transitional arrangements at all.
- In modern awards containing the model phasing schedule, new rates of pay will not come into force until 1 July 2010 and may be phased in over 5 annual installments.

If there are no transitional provisions in a modern award, then the wages specified in a modern award need to be paid from 1 January 2010.

Sole traders, partnerships & others moving into the national system

From 1 January 2010, sole traders, partnerships, other unincorporated entities and non-trading corporations in New South Wales, Queensland, South Australia and Tasmania are covered by the national system rather than their own specific state system. Employers that were already operating under the national system continue to be covered.

There are special transitional rules for employers in these states to help them move into the national system, including:

- State awards that covered these employers and employees before 1 January 2010 continue to apply and are known as Division 2B State awards. They automatically terminate at the end of 31 December 2010 (except for State enterprise awards). These employers and employees are then covered by a relevant modern award.

- State employment agreements that covered these employers and employees continue to operate until terminated or replaced and are known as Division 2B State employment agreements

However, state awards and state employment agreements operate alongside the National Employment Standards (NES). This means that, employees must receive at least the minimum entitlements in the NES (to the extent that they apply), along with any other entitlements in their state award or workplace agreement (provided that these are at least as beneficial as the corresponding NES entitlement(s)).

Australia's Paid Parental Leave scheme at a glance

The Australian Government will introduce a comprehensive Paid Parental Leave (PPL) scheme for new parents who are the primary carers of a child born or adopted on or after 1 January 2011. An eligible person will receive taxable PPL payments at the level of the Federal Minimum Wage, currently \$543.78 a week, for a maximum period of 18 weeks. In most cases, the person will receive the payment through their employer. To be eligible for the PPL scheme, the primary carer (usually the mother) must be in paid work and have:

- been engaged in work continuously for at least 10 of the 13 months prior to the expected birth or adoption of the child; and
 - undertaken at least 330 hours of paid work in the 10 month period (an average of around one day of paid work a week). An income test of \$150,000 will apply based on the primary carer's adjusted taxable income in the previous financial year.
- PPL will cover employees, including casual workers, as well as contractors and the self employed. If a primary carer returns to work before they have received all of their PPL entitlement, they may be able to transfer the unused part of their PPL to another caregiver (usually the father) who meets eligibility requirements. Eligible families can choose whether to participate in the scheme depending on their

individual circumstances. Families electing to participate in the scheme will not receive the Baby Bonus (except in multiple birth cases) or Family Tax Benefit Part B during the 18 week PPL period. The dependent spouse, child housekeeper and housekeeper tax offsets also will not be available during this period. New mothers who are not eligible for PPL will continue to receive, if eligible, the current forms of family assistance (including the Baby Bonus).

FBT Time Again

The current FBT year runs from 1 April 2009 to 31 March 2010

As an employer, you are responsible for calculating your FBT liability, if there is one, and paying any FBT liability.

If you have an FBT liability, you must lodge your FBT return and pay your FBT liability by 21 May 2010 (or 28 May if you are on the tax agent's lodgment program).

FBT is separate from income tax and is levied at the top personal marginal rate of income tax, including the Medicare levy (ie currently 46.5%).

You can generally claim an income tax deduction for the cost of providing fringe benefits and for the FBT you pay.

Where the total taxable value of reportable fringe benefits for an employee is more than \$2,000 for the current FBT year, you will have to disclose this value (grossed-up) on the employee's payment summary.

Recent Developments From the A.T.O.

The Australian Taxation Office has stopped accepting claims for family tax benefit, including previous year claims. You must now lodge family tax claims through the Family Assistance Office (FAO). You can visit your Centrelink Office, Medicare Office of the FAO Website www.familyassist.gov.au to process your claim.

Small businesses (turnover less than \$2m) can apply for 12 month interest free payment arrangements with the Tax Office. Applications for payment arrangements will be accepted up until 30th June 2010.

Tax file number applications for your children must be made directly with the Tax Office, and originals of the proof of identity documents must be sent with the application. SRF can provide you with the application forms, or visit the ATO website.