

As Christmas quickly approaches and the 2011 year comes to an end, the team at Conrad Carlile would like to wish you and your families a very happy and safe festive season. We would like to thank you for your support during a very trying year for many and look forward to working with you again in 2012.

Please note the office will be closed over the Christmas period from 5.00pm Thursday 22nd December to 8.30am Monday 9th January 2012.

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Carbon Tax

The Federal Government's 'Carbon Tax' is due to commence on 1 July 2012. The government has set a target of cutting carbon pollution by 5% from 2000 levels by 2020.

The plan provides that Australia's largest polluters (around 500 companies) will pay an initial price of \$23 per tonne of carbon dioxide they release into the atmosphere. This will change to a formal Emissions Trading Scheme from 1 July 2015.

The Carbon Tax is expected to increase the prices of everyday goods as the cost of the tax is passed on to consumers. Individual tax payers will be compensated with tax cuts by changes to the income tax rates which will increase the tax-free threshold from \$6,000 (\$16,000 after applying the Low Income Tax Offset) to \$18,200. However, the Low Income Tax Offset will be phased out and other tax levels will alter as well.

Proposed Tax Rate Changes

	2012 FY		2013 FY		2016 FY	
Level 1	6000	0%	18200	0%	19400	0%
Level 2	6001-37000	15%	18201-37000	19%	19401-37000	19%
Level 3	37001-80000	30%	37001-80000	32.5%	37001-80000	33%
Level 4	80001-180000	37%	80001-180000	37%	80000-180000	37%
Level 5	80000 +	45%	180000 +	45%	180000 +	45%

Whilst small businesses will not have to pay the carbon tax or have additional compliance requirements imposed, they will be encouraged to invest in energy efficient plant and equipment. Small businesses will be assisted with an immediate tax deduction for purchases of equipment up to \$6500, as opposed to the \$5000 amount previously announced in the May 2012 Federal Budget.

Various business assistance programs and grants have been announced to reduce the impact of the Carbon Tax on larger businesses.

Further information regarding the Carbon Tax and the proposed Clean Energy Future plan can be accessed on the following website: www.cleanenergyfuture.gov.au



Personal Property Security Register Set to Launch in Early 2012

A major overhaul of personal property laws is due to be introduced via a national online register. The purpose of the national register is to record security interests in personal property, other than buildings, fixtures and fittings.

The personal property security register (PPSR) replaces 28 Commonwealth, State and Territory registers, including registers of encumbered vehicles and ASIC's Register of Company Charges. Real property will continue to be subject to state based legislation.

The reform will impact secured financing involving personal property. It aims to make it easier for businesses to use assets to obtain finance, whilst promoting SME credit through clearer rules for protecting and enforcing a secured interest in property.

The commencement date for the PPSR reform is expected to be no later than 1 February 2012.

Impact on Businesses

Businesses and individuals that provide finance secured by personal property* and those businesses that lease personal property will be affected. The PPSR also has important implications for those businesses that supply goods on credit terms on Retention of Title (ROT) basis.

Under the new laws, businesses supplying goods on credit under ROT clauses are at particular risk if they do not take steps to register their interests on the PPSR. In this situation, a business may risk losing assets to other creditors (banks) who have registered their interests, if the business' customer becomes insolvent.

Protecting Business Interests

Business owners should take steps to protect their interests in any security-based business transaction by:

1. Reviewing and redrafting terms of trade and/or security documents;
2. Ensuring any new business customers are provided with goods on a ROT basis sign the appropriate terms of trade contract;
3. Ensuring all secured property interests are correctly recorded on the PPSR.

For more information please access the government website: www.ppsr.gov.au

*Personal assets include stock, furniture, jewellery, motor vehicles, business equipment, livestock, contractual rights and intellectual property.

Boosting Your Cash Flow

Generating more revenue is not the only way to improve your business's cash flow. The real secret to getting ahead in today's tough market is unlocking your business's working capital and using it to create stronger cash flow, growth and larger profits.

Working capital comprises current assets (cash, debtors and stock) less current liabilities (creditors, tax liabilities and loans). Collectively, working capital is the money used in the day-to-day operation of the business as well as the capital used to invest in its growth.

The larger the amount of working capital a business has, the healthier it is financially and therefore the potential for higher growth.

The first step to harness your business's working capital is to understand your cash flow. This is a very useful financial tool used to determine your expected cash inflows and outflows. It should be prepared monthly, and can be projected forward to the next three months or a year, and beyond.

Preparing a cash flow will identify potential cash shortages as well as surpluses that can be invested to generate additional revenue.

There are additional benefits to have an up-to-date cash flow projection on hand. It is a simple tool to help manage your business's tax obligations and valuable to provide to banks when applying for finance.



The next step should be improving the business's debt collection. The following is a list that will assist your cash inflow position:

- Send invoices out at the earliest possible time and follow them up before they become overdue.
- Reduce standard customer payment trading terms from 30 days to 14 days. In theory, this means that you collect money earlier and pay your bills later, thereby improving your cash flow position.
- Offer incentives for customers who pay early, such as a small discount. On larger amounts, you may offer progress payments terms so that the business always has cash inflow.
- Set realistic credit limits for your customers, and screen potential clients to ensure they are able to meet their payments.

A significant amount of working capital is often tied up in stock or inventory. The key is to find the optimum level of stock to have on hand to minimise the costs of holding stock and the likelihood of having to heavily discount or write off inventory.

Monitor stock levels regularly by performing a stock take. Be realistic with sales projections in your cash flow to avoid over ordering. Adopting a just-in-time approach, with stock being delivered just before or as required, will help keep holding costs at a minimum.

Whilst the above information may seem self-evident, you may be surprised how much money is released and improves your net cash flow position.

Please contact your Accountant at Conrad Carlile should you require assistance with preparing a cash flow forecast for your business.

Directors' Penalty Notices Get Tough

Most directors of businesses would be aware that the ATO can issue a Director Penalty Notice for a company's outstanding tax liabilities, making the director personally responsible for the debt.

As part of the 2011 Federal Budget, the government announced that it would strengthen the law to counter fraudulent activities by company directors.

With effect from 1 July 2011:

- The director penalty regime will be extended to superannuation guarantee amounts, making company directors personally liable for their company's failure to pay staff superannuation;
- The ATO will be given the power to commence recovery action against directors under the regime, without providing a 21 day grace period, for certain unpaid company liabilities that remain unreported after three months of becoming due; and
- In certain circumstances directors and associates of directors will be prevented from obtaining credit for amounts withheld in their individual income tax returns where the company has failed to pay withheld amounts to the ATO.

Whilst the above measures are targeted at companies and their directors it is important to note that they apply equally to companies acting as trustees and the directors of those companies.

Any time prior to the ATO issuing a Director Penalty Notice, the directors can cease to be under their obligation and extinguish their liability for the penalty if an administrator is appointed or the company is wound up.

The ATO, by issuing a Director Penalty Notice, effectively brings the whole matter to a head by forcing the directors to wind-up the company or to have recovery action commence in relation to their penalty.

Once the Director Penalty Notice is issued, a director has 21 days to take action. A decision by the directors to wind-up the company after 21 days does not remove their personal liability for the penalty.

It is essential to obtain immediate legal advice as soon as a Director Penalty Notice has been issued. Prompt attention allows the serious consequences of company tax turning into a personal liability of the director to be avoided.



Team Profile



Alison Van Beusekom joined our professional team in July 2011. She has led a highly engaging career in tax accounting for the past 26 years. Prior to her current role, Alison has worked as an Assistant Financial Controller, MYOB consultant and payroll manager. She is a registered BAS agent and looks forward to her contact with clients. Alison's leisure time is spent bike riding, walking her dogs and leadlighting.

We at Conrad Carlile are fully committed to the growth and development of our firm. It's only when we grow that we can continue to offer you a more diverse range of services to support you in all areas of your business, financial position and future security. If you know of any business owners, family or friends that may be able to benefit from our services please do not hesitate to refer them to our team.

The information in this newsletter is general commentary only and should not be considered advice. You should not act solely on the basis of the material contained in this newsletter. We recommend that you seek our formal advice prior to acting. Liability limited by a scheme approved under Professional Standards Legislation.