

Noble News

News & Information from Noble & Associates

1st Quarter 2007



Noble & Associates

ACCOUNTANTS & BUSINESS ADVISORS
ABN 74 202 576 199

Plan for Success in 2007

How do you make sure you spend your time and money building the long-term success of your business? The best way is to develop an Annual Plan.

Remember the golden rule

You can't reach a goal you haven't set.

Without a plan, it's easy to spend the whole day - the whole year - attending to pressing day-to-day details instead of focusing in on activities that truly build your business.

Developing an annual plan is a way to step back from the daily grind, set goals, and think through the best strategies for reaching those goals. As importantly, it helps you establish priorities and decide what NOT to do this year. That enables you to better use your limited resources, of time and money.

Your annual planning process can be fairly formal - bringing in an external advisor and setting aside a couple of days. But you can keep it much simpler. Just set aside a few hours or a day for planning. Get away from the office, shop or factory, and especially the phones.

If you are going to plan, keep it realistic. It is easy to be tempted to set all kinds of goals - return every phone call immediately, attend every trade show or develop ten new products. Be optimistic, but focus on what is achievable with the time and resources that are available to you. You can always reassess your position throughout the year.

The key to a successful annual plan is to look at where you've been, where you want to go, and the best way to get there.

Here's how to develop your 2007 Annual Plan:

Look at the past

Before going in new directions, evaluate what worked and what hasn't. In particular, identify which activities have been the most successful in terms of PROFIT not just income.

List your goals

Begin by listing ALL your goals -- how much money you want to make, products or services you want to add, changes in work patterns or operations.

Get specific

Now put details with each goal, especially NUMBERS. Let's say one of your goals is to increase sales. Don't just say you'd like to double your income. Instead, list each product or service you offer, and set a goal of a specific number of customers and income for each.

Develop steps

Identify the steps necessary to achieve each specific goal. For instance, to attract more customers, you'll need to increase marketing. List the ways you'll do this: advertising, trade shows, direct mail, etc.

Estimate money

Put a dollar figure next to each step. The more specific you've been with each step, the easier it will be to come up with a range of costs for every goal.

Estimate time

Things don't just take money; they take time. Next to each step, estimate how much time it might take. For instance, writing a newspaper ad may only take two hours, exhibiting at a trade show might require five days.

KEEPING YOU ON THE RIGHT TRACK

We can help your business and your personal finances to stay on the right track

Call us now and we'll arrange a meeting to discuss:

- Strategies to help your business improve its efficiency and profitability
- Reducing the burden of taxes on your business
- The tax issues that affect you and your family
- Maximising your wealth
- Retirement planning strategies for you and other family members

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Protection During An Emergency

We all expect basic necessities – water, electricity, phone service – to be there whenever we turn a tap or light switch. Recent disasters show us how quickly that can change - they can hit anywhere and come in many forms: storms, floods, fires and cyclones. Every business needs an emergency plan to cope with unexpected events.

Here's a suggestion of how to go about planning for a disaster.

First, determine the critical aspects of your business. For a month, keep detailed notes on everything you do and what you rely on, such as data, electricity, phones, staff, the Internet. Next step, make contingency plans for every aspect:

Data: If you have access to your data, you'll be able to restart your business faster, especially if you have to work from another location. In a disaster, you'll be able to receive insurance or federal funds MUCH more quickly if you have your records.

Do this now: find a way to store a copy of your critical records and data (such as financials, customer files, legal records, intellectual property) offsite. An easy and inexpensive approach is to use an online data backup company which can copy your records daily over the Internet.

Another option, but less reliable, is to make a physical backup of your data at least once a week and send it to a trusted advisor for storage in a distant location.

Get a fireproof safe for vital written documents, such as contracts. Make copies of those and store with your solicitor and probably at a farther distant location as well.

Power: For each vital piece of business equipment, consider buying back up generators. For data, you can purchase

inexpensive backup power supplies to give you about a half hour's extra power for computers, giving you time to back up records in case of a power failure.

Safety: In a disaster, the most important thing is physical safety. Keep flashlights and fresh batteries on hand. Develop evacuation plans; know how to exit your building in the dark or in a fire. Make sure nothing blocks exits. Keep a supply of fresh water in case you have to stay in your office or store for hours. Get names and numbers from every employee of whom to contact (such as distantly located relatives) in case you get dispersed.

Insurance: As awful as a disaster can be, the effects are less devastating if insurance covers your financial losses. While disaster insurance can be expensive, it should be evaluated just as you would liability or fire insurance. Also, ask about "business interruption insurance" which covers your losses even if your business itself doesn't suffer physical damage, but you lose income due to other effects.

For a home-based business, talk to your insurance agent. Most homeowner policies don't cover business assets such as computers, tools, inventory. Review policies accordingly.

Employee back-up: Emergencies also come in the form of personal disasters, such as illnesses and accidents, so make backup plans in case you or key employees become unavailable. Make certain that someone knows where your records are and has the power to deposit cheques and pay bills. This could be a key employee, your solicitor, accountant, even a family member.

Alternative suppliers: Remember, a disaster elsewhere can be a disaster for you if your critical vendors become unavailable. Develop a list of suppliers in other parts of the country – or world – for back up. You never know when they may be the ones affected by disaster.

Changes to CGT Treatment of Testamentary Trusts

The government has announced that it will amend the income tax legislation that applies to testamentary trusts (those trusts created under a will).

The amendments will improve the taxation treatment of income beneficiaries in testamentary trusts.

What is a testamentary trust?

A testamentary trust is a trust created by a will. It allows a person preparing for their own death to also prepare for someone else's future well-being. Instead of all of the assets of a deceased estate being distributed to the beneficiaries, some or all are retained in a trust for the future benefit of the beneficiaries. The use of a testamentary trust provides the benefits of a discretionary trust upon the death of a person.

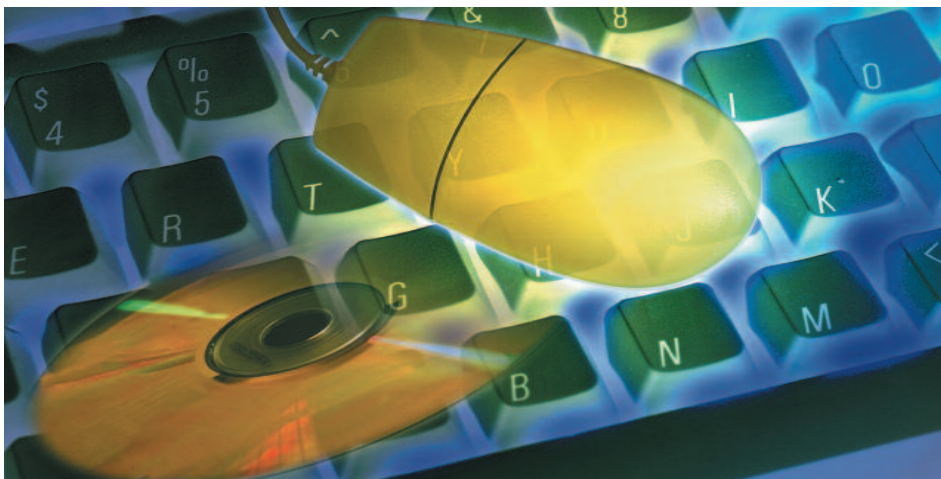
The amendments will allow the trustee of a testamentary trust to choose to be assessed on some part or all of an amount of net capital gain that is included in the net income of the trust where:

- that part or all of the net capital gain would be assessed to a presently entitled income beneficiary of the trust; and
- that beneficiary is not entitled under the terms of the trust to benefit from the gain.

These amendments will ensure that an income beneficiary is not assessed in respect of trust capital gains from which they will not benefit.

Allowing the trustee to make the choice on a beneficiary-by-beneficiary basis will ensure the trustee is not assessed on part of the capital gain in circumstances where no tax would have been paid on the gain by the income beneficiary, for instance where the income beneficiary is an exempt entity or a foreign resident.

The government's intention is that these changes will apply to the 2005-06 and later income years.



Cutting Fuel Costs

The government introduced major reforms to the fuel excise system effective 1 July 2006.

Principles of the Reform

The previous excise arrangements reflect numerous ad-hoc decisions over many decades. The result was a system filled with anomalies, distortions and inconsistencies.

The reforms to the excise system seeks to address these problems. The main principles underpinning the reforms are that the fuel excise system should:

- apply in a consistent and clear way to all fuels and all relevant fuel users;
- minimise tax on business inputs to production;
- minimises compliance and administration costs; and
- be consistent with the government's environmental, social and fiscal objectives.

Fuel tax credits

Fuel tax credits commenced on 1 July 2006 as part of the Government's major programme of reform to modernise and simplify the fuel taxation system.

Under these reforms, the previous system of fuel grants, rebates and remissions (including the energy grants credits scheme) has been substantially replaced with a single fuel tax credit.

Fuel tax credits help to cut fuel costs by providing a credit for the fuel tax (excise duty) included in the price of fuel, when used for specified activities. This will lower compliance costs, reduce tax on business and remove the burden of fuel tax from thousands of individual businesses and households. While entities using fuel in their business will generally claim fuel tax credit on their business activity statement, special transitional claiming arrangements are available for certain businesses until 30 June 2008.

Are You Eligible?

As a business, to claim a fuel tax credit you must:

- be registered for GST, and
- be undertaking an eligible activity using eligible fuel, and
- meet environmental criteria for diesel vehicles (where relevant),
and
- meet the Greenhouse Challenge Plus programme criteria

Eligible activities

You may be eligible to claim a fuel tax credit for fuel you acquire, manufacture or import for use in any of the following activities:

- road transport
- agriculture
- fishing
- forestry
- mining
- marine transport
- rail transport
- electricity generation (business)
- non-fuel use
- nursing and medical

Eligible fuels

Fuel tax credits can be claimed for fuel acquired or manufactured for use in motor vehicles used in carrying on a business provided that:

1. the vehicle must be used for travelling on a public road
2. the alternative fuel must be for use in registered vehicles. Satisfying weight requirements and
3. the alternative fuel must be one of the following:
 - liquefied petroleum gas (LPG)
 - compressed natural gas (CNG)
 - liquefied natural gas (LNG)
 - ethanol
 - biodiesel1, or
 - biodiesel and diesel blend2

If you have questions regarding fuel tax credits and whether you qualify, please call our office.

What Kind of Boss Will You Be?

Being a boss is tough. It's one of the most demanding challenges of running a company. You have to inspire, lead, motivate, discipline, and reward. Some of the most important leadership skills are:

- **Communicating goals:** Let people know why they're doing something, not just how to do it. Employees are far more motivated when they understand the purpose of a task.
- **Setting standards:** You're responsible for establishing — and demonstrating — the standards you expect others to maintain.
- **Being fair:** Make sure your standards are reasonable and fair and that goals are actually reachable.
- **Listening:** Learn to talk with — not just to — your employees. Enlist their suggestions, and set goals together.
- **Making decisions:** The buck has to stop somewhere. Employees look to their leaders to make choices and stick with them.

- So what kind of boss will you be?
- Will you have the skills to lead your company rather than micro-manage your employees?
- Can you create an environment that encourages employees to do their best?
- Be honest when you're evaluating your own experiences and abilities as a leader.



RATE YOURSELF

Assess your leadership skills by rating yourself in all of the following areas, noting whether you're "excellent," "good," "fair," or "need to improve" in each:

- Decision-making
- Communicating goals
- Setting standards
- Listening
- Consistently being fair
- Patience
- Creating a learning atmosphere
- Training others
- Motivating others to do their best
- Constructively communicating problems/disagreements
- Acknowledging and rewarding the contributions of others

Help available for drought affected areas

The Tax Office is helping taxpayers affected by the drought by giving them more time to lodge and pay their income tax and activity statements.

The Australian Taxation Office is looking at a range of initiatives to help those affected by drought.

This includes:

- allowing more time to lodge activity statements or tax returns without penalty
- allowing additional time to pay tax debts without incurring charges

- arranging for tax debts to be paid in instalments
- remitting penalties or interest that may have been imposed, and
- fast tracking refunds.

In addition the ATO is also researching what else it can do to better identify and assist those impacted by the drought.

People affected by the drought can contact the ATO for information. Alternatively you are welcome to contact our office.

Source: Australian Taxation Office

WEB WATCH

ESSENTIAL SITES FOR BUSINESS OWNERS

Emergency planning www.ready.gov

A very practical US based website on preparing your business for a wide range of emergencies.

Goal setting www.goalpro.com

If you need a bit more structure to your planning, there is a range of software based goal setting systems available. This website highlights one of them.

REMINDERS FOR YOUR DIARY

January

- 14** Reasonable benefit limits (RBL) reporting – all RBL reportable benefits paid in December 2006 must be reported to the Tax Office on or before this date.
- 15** Income tax due date for lodgment of income tax returns for companies, superannuation funds and trusts which were taxable large/medium business clients in the prior year and are not required earlier.
- 21** All activity statements – December 2006: final date for lodgment and payment.
Last day for superannuation guarantee contributions to be made to a superannuation provider for quarter 2 (1 October–31 December 2006).

February

- 14** Reasonable benefit limits (RBL) reporting – all RBL reportable benefits paid in January 2007 must be reported to the Tax Office on or before this date.
- 21** Activity statements – January 2007: final date for lodgment and payment.
- 28** Due date for lodgment of Superannuation guarantee charge statement – quarterly and payment of the superannuation guarantee charge for quarter 2 (1 October–31 December 2006).
Activity statements – Quarter 2 (October–December 2006) activity statements: final date for lodgment and payment, including electronic lodgments.
GST instalments – Quarter 2 (October–December 2006) instalment notices. Final date for payment and, if varying instalment amount, lodgment.
Income tax return lodgment and payment due date for companies and superannuation funds which were not due at an earlier date (and new registration)
Income tax return lodgment due date for large/medium business trust clients that were not taxable in the prior year (includes new registrants).

March

- 14** Reasonable benefit limits (RBL) reporting – all RBL reportable benefits paid in February 2007 must be reported to the Tax Office on or before this date.
- 21** Activity statements – February 2007: final date for lodgment and payment.
- 31** Due date for lodgment of Superannuation Member Contributions Statement (MCS) for self managed superannuation funds (SASF) or by the due date of the fund's income tax and regulatory return, if due later than 31 March 2007.

A Great Read

The Goal

By Elyahu M. Goldratt and Jeff Cox
(Sells for about \$20.00)

This thought provoking and easy to read business novel illustrates state-of-the-art economic theory (Theory of Constraints). Alex Rogo is a plant manager whose factory and marriage are going downhill. To make matters worse, his district manager tells him he must increase profits or the plant will be closed. To revitalise the plant, he follows ad hoc advice from Jonah, an elusive former college professor who teaches, for example, that reduction in the efficiency of some plant operations may make the entire operation more productive. Alex attempts to find the path to profitability and to engage his employees in the struggle involve the reader. The authors' use of straight forward examples make concepts easy to understand. One example from the book is in which Alex takes his son and a group of Boy Scouts out on a hiking expedition. Here Alex faces a constraint in the form of the slowest boy, Herbie. Alex gets to apply two of the principles Jonah talked to him about - "dependent events" (events in which the output of one event influences the input to another event) and "statistical fluctuations".

The tender story of Alex and his wife's separation and reconciliation makes a touching contrast to the rest of the book.

This book provides a clear insight for those experiencing having to grow a business where competing needs for resources exists.

Business and personal planning need not be left until the end of the tax year – talk to us now about tax and financial strategies for you and your business.

We are sometimes asked if we are able to help additional clients. We are a growing firm and do appreciate your referrals. We consider it a compliment when you recommend us to your friends and business contacts.