THE FINANCIAL STATEMENT

ECONOMIC, ACCOUNTING, INVESTMENT, TAXATION AND BUSINESS NEWS

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EXPERIENCE 42nd ANNIVERSARY 1970-2012 IN BUSINESS

A BUSINESS APPROACH TO IMMIGRATION

by Paul St. Clair, F.C.A., Dip. Fin. Services

People generally have strong views on the subject of immigration. There are those that oppose and those that accept further immigration. Both major political parties support immigration. We are indeed a nation of immigrants including our Indigenous population who arrived here some 40,000 years ago.

There are a great number of people who would like to immigrate to this great democracy. Many immigrants come from those countries where political and economic problems are rife. The numbers wishing to settle here are greater than the present approved number of 190,000 annually. We accept the free movement of capital and goods and services into this country then why not accept the free movement of labour? Of course, subject to our ability to absorb them on a realistic basis and subject to security, identity and health check requirements. Few would disagree that the waves of post war immigration and the abolition of the White Australia policy has created an even better nation.

The fact is that immigrants/asylum seekers are costing the Australian taxpayers billions of dollars annually. Furthermore, Australian taxpayers have paid trillions of dollars, over time, establishing our infrastructure of ports, roads, power etc, that we now enjoy. The question could be asked, in fairness to Australian taxpayer - should new comers pay a fee in order to settle here and fund new infrastructure? That fee may vary depending on the category of the newcomer. Asylum seekers wishing to jump the so called 'queue' would pay a higher fee. The fee need not be paid up-front, but could be deferred and paid from future earnings, in a manner similar to the payment of university fees. A discount for early payment could be part of the package.

It has been suggested such a scheme, fully operational, would raise in excess of $3 billion annually. (190,000 immigrants paying an average fee of $16,000.) On that basis, the Government would profit directly from immigration as compared with the current taxpayer cost in excess of $2 billion annually.

Seasons Greetings

From all the team at St. Clair partners and John Stewart, Miller Partners, we extend to you and your families our best wishes for a joyous festive season and a safe, peaceful and prosperous New Year.

We look forward to being of service to you in 2013 and the years ahead.

Thank you for your business, loyalty and referrals, which are appreciated.

Our office will be closed on the public holidays only. Should you wish to call us on those days phone 0418 640 305

Asylum seekers would be included in the scheme which would help to undermine the people smugglers' 'business model'. A further element of the asylum seekers scheme for those wishing to jump the 'queue' could be a period of work on specific projects, (say, for two years), organised by the Government. The projects may include infrastructure projects such as, turning desert into fertile farming land, building dams, railways, roads etc. This idea is not new. In the 1950s the Chifley Labor Government introduced successfully a work scheme for European Displaced Persons immigrating to Australia.

Most Displaced Persons, in their thousands, worked on 'The Snowy Mountains Rivers Scheme', building numerous dams and hydro-electric power stations which we benefit from to this day.

The present refugee intake numbers were recently increased by the Government from some 13,000 to 20,000. The Government is considering in the future a further increase to 28,000. These numbers are a positive for business.

Two areas of concern to some are that, immigrants are taking Australian jobs and secondly extra pressures are put on traffic congestion, public transport, housing, water, electrical and other infrastructure, especially as the government has refused permission for some immigrant groups to work. Under the present immigration scheme the above concerns have some relevance. With fee paying immigrants and asylum seekers required to work on projects, this lessens the job and congestion concerns as a result of money and labour flows. The net result, if properly executed, will create a bigger, wealthier, stronger and more meaningful nation. On the other hand as opposition front bencher Malcolm Turnbull said recently, "Anyone who thinks it's smart to cut immigration is sentencing Australia to poverty."

To compete with and beat the people smugglers' on the model suggested, will require, on a balanced approach, greater intake numbers. At present the asylum seeker deterrents are not working. We need to think outside the box and have the will to carry it through. As the journalist Brian Toohey said in his recent article in the Australian Financial Review, "The time may be ripe to adopt a market-based solution to the political obstacles to obtaining more workers from overseas." It would appear that the flow of immigrants to this country will remain strong for the foreseeable future. Why not take the business approach, confront the problem we have with asylum seekers to the advantage of all concerned? The result may well be a model that other countries with similar problems would adopt.

Recent Assignments undertaken by the St. Clair partners Team include:-

- We are presently engaged in preparing financial statements, tax returns, auditing companies and superannuation funds, and regular bookkeeping work.
- Advising on year-end taxation strategies, including tax changes effective for the 2013 year.
- Advising and negotiating on penalties and interest charges on Queensland Payroll Tax.
- Work on an excess superannuation contributions case before the Administrative Appeals Tribunal.
- Negotiated with the Taxation Office for an extended payment programme for taxes owing.
- Negotiated with the Taxation Office in relation to tax debts and penalty appeals.
- Reviewing and advising on Family Trust Election issues for a family trust.
- Consulting in regard to establishment of an incorporated association.
- Managing clients' exposure to Division 7A.
- Advising an overseas client on Australian taxation considerations, no permanent establishment in Australia and applying for a reverse Goods and Services registration.
- Registering a group of new taxpayers for Tax File Number (TFN), Australian Business Number (ABN), Goods & Services Tax (GST) and Pay As You Go (PAYG).
- Advising on, and assisting with, establishment of self managed superannuation funds.
- Consulting on retirement strategy.

TIPS FOR ENTREPRENEURS

by Nuha Awad, B. Bus, (Accounting), C.A.

Here are some tips for Entrepreneurs running a successful business:

- Make sure you are doing something you love.
- Write a business plan so you are clear about what you are doing and update it.
- Hire the best people to assist and to do the things you can't, so as to free yourself up to do what you are good at.
- Always find new ways to keep costs low, increase profits and look for innovation.
- Focus on sales and marketing.
- Accept that learning more equals earning more.
- Be flexible in your thinking. Prepare to change the way you work and the products you offer in order to meet the demands of your customers.
- Admit your mistakes, correct them and carry on.
- Develop a good relationship with your bank and creditors.
- Develop your own network of entrepreneurs who you see regularly and bounce ideas off.
- When you are not available to clients, leave a message.
- React quickly to any complaints or problems.
- Focus on a specific goal and work at it until it is achieved.
- Ensure quality in every aspect of your business.
- Use the internet and emails. Build a website and send out email newsletters, buy online banner advertisements and register your site with the major search engines.
- Delegate. You should hire a good accountant and tax agent, lawyer and marketing professional.

Should you need our service at any time, please call Paul St.Clair or Peter Small on (02) 92214088.

STRATEGIES IN SAVING TIME

by Evan Kambourakis, Dip. A, B. Com, ASA

Strategies in time management are crucial tools for increasing your productivity in the work environment. Here are a few points that may assist productivity with daily work demands:-

- Personally strive at being positive, efficient and effective in everything you do. Invest time in finding the best methods to achieve your goals. Keep things simple.
- Set realistic goals and tasks each day.
- Organise your time to deadlines.
- Set aside time with no disruptions to plan your day. If you travel to work by public transport, you can allocate this time to checking emails on laptops and smart phones or to simply plan your day.
- Delegate work to staff where possible. Invest time in training staff who will complete tasks on your behalf, with little supervision.
- Plan proactive meetings with clients or managers. Set an agenda. End meetings once you have accomplished the set agenda and an outcome is achieved.
- Maintain a healthy lifestyle that will assist physically and mentally with daily activities. Summer is here – use our wonderful weather to go outdoors and be physically active.

BOTTOM OF EQUITIES

by Marc Hurwitz, B. Com, (Accounting)

There has been a lot written about bubbles and how to spot them. Here are some lessons taken from history:

- Everybody is making gains
- People believe the passion for stocks will last forever
- Physical assets are converted to cash to invest in the share market
- Luxuries of all sorts rise in price
- Shares are bought to sell not for long term return
- The share market is talked about everywhere.

If we reverse the situation and look at how to spot a bottom in the equity market:

- Nobody is making money
- People believe long-term investment is forever
- Everybody is concentrating on keeping their jobs
- Everyone is trying to pay down debts
- Other asset classes are swamped
- Luxury items of every sort fall in price
- Assets are bought for their return not to sell
- There is a lot of cash ready to invest
- The yield gap favours equities over bonds. Yields are historically high.
- Equities are historically cheap
- Balance sheets are historically strong.

So therefore what is stopping people from investing in the equity markets? The answer is “risk”. For equities to rally, we just need a catalyst, anything that turns the focus away from fear and risk to greed or the need for a return. This could possibly stem from low returns on other investments and overpricing of fixed-interest instruments, or an excess of money for investment.

POWER OF ATTORNEY

by Karen Huynh, Adv. Dip. Accounting

A power of attorney is a formal instrument by which one person empowers another to represent him or her, or act in their stead for certain purposes in relation to financial and property decisions. The donor of the power is called the principal or grantor, the donee is called the attorney. In some circumstances it may be desirable to have joint power of attorneys.

A power of attorney expires when the principal loses mental capacity, unless it is an “enduring” power of attorney. An “enduring” power of attorney is useful as it allows the principal to make a power of attorney which will continue even if the principal loses mental capacity. The principal can choose when this power can take effect, i.e., from the moment the document is signed.

An attorney can have significant power over the principal’s affairs. The principal should choose an attorney with whom he or she trusts and who will manage the principal’s finances in a responsible way. The attorney is not entitled to exercise their powers for their own benefit, e.g. draw cheques on the principal’s account to pay their own debts. An attorney must be over the age of 18, who is competent enough to make decisions and seek expert advice where necessary, who respects the principal’s wishes and who is likely to be within reach and healthy enough to carry out the appointment.

The wording contained in the power of attorney is very important as it may well be restrictive and to exceed the power given to the attorney could well have legal consequences.

A power of attorney is revoked by the death of the principal.

by Peter Small, B. Bus, F.C.A., Dip. Fin. Services

TAX RATES – 2012/13

We remind readers that new income tax rates are applicable for the 2012/2013 tax year, as follows:-

Income range ($)	%
0 – 18,200	0
18,201 – 37,000	19
37,001 – 80,000	32.5
80,001 – 180,000	37
180,001 +	45

The Medicare Levy applies in addition to these rates, generally at 1.5% of taxable income. The Flood Levy no longer applies, being applicable for the 2011/2012 tax year only. As a consequence of the increase in the tax-free threshold applicable for the 2013 year, the Low Income Offset has been reduced to a maximum of $445. It applies in full on incomes up to $37,000, and phases out on incomes up to $66,666.

The income tax rate for companies remains unchanged at a flat 30%.

CAR EXPENSE CLAIMS – 2011/2012

The rates for car expense claims using the cents per kilometre method for the 2011/2012 year are unchanged from last year, and have now been in place for 3 years, despite increases in vehicle running costs:

Engine capacity (cc) #	Rate per Kilometre (cents)
0 - 1,600	63 cents
1,601 - 2,600	74 cents
2,601 +	75 cents

Conventional engines only; halve these rates for rotary engines.

The maximum allowable value of motor vehicles for depreciation purposes is $57,466 for the 2012 year, again unchanged. This cap will continue to apply in the 2012/2013 year as well.

BUSINESS LOSS WRITE-BACK

Companies that make a loss will be eligible to claim a tax deduction against profits made in previous years, in a new concession. The new rule will apply to losses made in the 2012/2013 year onwards, with a maximum loss claim of $1 million allowed. The announcement mentions only companies, so whether similar provisions will also be made available to businesses operated by other types of entities (trusts, partnerships, and sole traders) is not yet known.

SALARY PACKAGING SUPERANNUATION

Readers with a salary package that includes superannuation contributions may need to revise their package for pays for the 2012/2013 year. The maximum concessional contribution cap fell from $50,000 (for those aged over 50) to $25,000. Contributions that exceed this limit are very likely to result in tax thereon, so it is preferable to review e xisting salary packages to ensure there are no unforeseen implications that will arise for the current tax year.

Those with more than one job are especially vulnerable in this area, so consult us if you have any concerns.

PERSONAL LIABILITY OF COMPANY DIRECTORS

Rules making directors of companies personally liable for some tax debts are to be extended. Under the new rules:

- unpaid superannuation guarantee (SG) amounts will be covered by the Director Penalty Regime
- directors will be unable to escape personal liability by placing the company into administration or liquidation where unpaid PAYG amounts or unpaid superannuation guarantee amounts remain outstanding three months after the due date

There are several defences contained in the new provisions. A director who makes a genuine mistake about whether a worker is subject to SG would not be liable under the rules. New directors will not be liable to a director penalty for company debts that existed at the time they were appointed as a director for 30 days after they became a director. This allows additional time (up from 14 days) for new directors to familiarise themselves with the company's financial situation before they can be held personally liable.

ADVANCED SUPERANNUATION PLANNING

by Peter Small, B. Bus, F.C.A., Dip. Fin. Services

Those approaching retirement who are considering making use of the 3-year bring-forward rules applying to non-concessional superannuation contributions would do well to plan the best time to take advantage of the bring-forward opportunity.

Non-concessional contributions to superannuation are limited to $150,000 per annum, but it is permitted to bring forward up to 3 years contributions, making a total of $450,000 allowable over a 3 year period (up to age 65). If you are planning to utilise this opportunity over several years prior to retirement, you can greatly increase the amount in your superannuation by carefully planning when to utilise the bring-forward. This is best demonstrated with some figures.

Let's look at non-concessional contributions over the last 7 years prior to retirement. If you contribute $150,000 each year, you will have total contributions of $1,050,000 at the end of the 7 years, as shown below.

Year	2013	2014	2015	2016	2017	2018	2019
Standard Contributions	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000	$150,000

If you bring forward the 3 years contributions in the first year, 2013, the total you can contribute over the 7 years will be unchanged:

Year	2013	2014	2015	2016	2017	2018	2019
Bring-forward Contributions	$450,000	Nil	Nil	$450,000	Nil	Nil	$150,000

However, if you choose not to use the bring-forward in the first year, and use it in a later year, namely:

Year	2013	2014	2015	2016	2017	2018	2019
Contributions	$150,000	$150,000	$150,000	$450,000	Nil	Nil	$450,000

you will have $1,350,000 of contributions at the end of the period. By correctly timing the bring-forward, the total benefit has increased from $1,050,000 to $1,350,000, giving an extra $300,000 in your fund. This is the equivalent of an additional 2 years of standard contributions of $150,000.

These figures illustrate how careful planning in advance of retirement can ensure you maximise the amount available to provide you with a retirement income.

Of course, not everybody will be able to contribute the maximum amounts used in the above illustration, but the figures demonstrate the value of planning. As well, the caps may be altered in future, so that the actual amounts permitted each year might be different to those used in the comparison. On the other hand, having the higher permitted contributions in your fund earlier will allow the fund to earn income on those amounts in the years leading up to retirement. And finally, this strategy refers only to non-concessional contributions; you may also be making concessional contributions at the same time.

by Paul St. Clair, F.C.A., Dip. Fin. Services

AUSTRALIA'S FINANCIAL STRENGTHS. Australia was one of the few countries in the world not to go into recession during or after the Global Financial Crisis (GFC). The main reason was the demand for Australia's mineral and energy resources, which Australia is blest with. The Federal Budget is said to be in surplus. Unemployment is falling from 5.3% to 5.2%. By Gross Domestic Product (GDP) standards per head, we are the seventh wealthiest country and with $1.5 trillion in superannuation Australia is one of the most superannuated nations. With a small growing population of 22 million the Aussie dollar is the sixth most traded currency. Having an AAA rating is an economic strength in itself.

SAVINGS. Australia has become a nation of savers. We are saving more than people in other developed countries. The rate of savings has almost reached 25% of gross domestic product, well above the average for developed economies at 19%. The saving spree began to rise before the Global Financial Crisis, which explains in part reductions in real estate values, sluggish retail sales and the reaction from the world financial uncertainty. The nation's savings is the sum of savings from households, companies and the three tiers of government in Australia. Compulsory superannuation has helped the savings spree. The value of Australia's superannuation savings is now about $AUD1.5 trillion.

MULTINATIONAL business. HSBC Bank Australia Limited had a recent advertisement in the Sydney Herald newspaper which said. "In the future, even the smallest business will be multinational." How true this is. In fact it is already happening. We act for some small businesses that do business in Australia, or from Australia, in New Zealand, the United Kingdom, United States of America, China and the Philippines. It can be a broadening of the market for your business. The modern approach of selling is online which can have some interesting, in some cases beneficial, tax consequences. The more traditional method of exporting/importing to established customers either through a permanent establishment in the receiving country or by direct shipment to the customer can have substantial governmental incentives form the exporting country. Another method of undertaking international business is by establishing franchise operations. This requires a good product, structure and planning with passion and vision for implementation. Even with the after effects of the Global Financial Crisis world business is a growth area. We would be happy to act for those businesses considering multi-national business. Do contact Paul St. Clair on 02 9221 4088.

EUROZONE'S financial position will be long and painful. Markets will get used to the situation before it is over. The problems lie with Greece, Spain, Portugal, Ireland and Italy. The recipe for each of the 17 Eurozone members involves sovereignty sacrifice. The issue of a Euro financial bond backed by the 17 members is a step in the right direction, but it will require more.

AFRICA IS ON THE MOVE. Many parts of Africa are thriving. More that 600 million Africans now have a mobile phone and of those, 10 percent have access online. Africa has considerable resources in oil, gas, minerals, agriculture and human beings. Australian companies are active in various mineral projects. With a population around 1 billion and estimated to double in the next 40 years there will be openings for business activity in the more stable parts of Africa for Australian business enterprises.

ADVERTISING – consider the following. Sources of entertainment preference on a study undertaken by Deloitte – Watching TV 63% - Using the internet 47% - Listening to music 30% - Reading newspapers 29% - Going to the movies 25% - Listening to the radio 22% - Reading magazines 18% - Attending live shows 16% - Playing video games 15%.

BHP is the largest mining company in the world. BHP's market capitalisation is about the same size as the entire economic output of New Zealand. Its mineral and energy resources are well spread. It is a well managed company that came through the Global Financial Crisis well and is well cashed up. Like many companies on the stock exchange its price is down from what it has been, normally a good time to buy and a stock a large number of Australian investors own. See if it fits into your financial plan. (It is noted that the writer owns BHP Shares.)

FRAUD. Statistics tell us business loses between 5% to 7% of revenue to fraud. Males commit fraud more than females. Most fraudsters act alone but when two or more are involved the loss on average is four times greater. Most are well educated. The estimated involvement in fraud is as follows: 5% will commit fraud regardless of the circumstances, 10% will not commit fraud, full stop, and 85% will commit fraud given certain circumstances. What this says is:

Rule 1 – trust nobody.

Rule 2 – remember Rule 1. You should consider your business having a fraud prevention check-up. If you would like to discuss it with us kindly telephone Paul St. Clair on 02 9221 4088.

- The national unemployment rate is currently 5.2% in the latest figures, with NSW slightly better at 5.1%. The inflation rate is running at 2.0% pa nationally; in Sydney at 2.3%. The latest quarterly current account deficit was $13.4 billion. The Reserve Bank of Australia's cash rate is now 3%.
- According to the Bloomberg Billionaires Index, Mexican telecommunications magnate Carlos Slim is the world's richest person, with a fortune estimated at some $US69 billion. Bill Gates is the second wealthiest, worth around $US63b, followed by Warren Buffett ($US45b). Iron-ore heiress Gina Rinehart is the highest-placed Australian on the list, in 31st place with an estimated fortune of $US19b.
- If Western Australia were a nation, it would be the fastest-growing among all advanced economies in the world. However, despite a forecast budget surplus of almost $200 million for the 2012/13 year, there are concerns that the state places too much reliance on its income from mineral resources, and is not doing enough to develop revenues from other industries.
- Australia's economy is expected to outperform most of the other 33 nations in the OECD over the next 2 years, according to the latest OECD forecast. The forecast predicts that, at 3.1 percent, Australia's growth will be significantly higher than the OECD average. The report also expects Australia to grow at "just about the fastest pace in the developed world for decades to come."
- Under new rules announced by the government, Australia will give preferential visa treatment to applicants who can invest at least $5 million here.
- Several Middle Eastern and Asian banks are believed to be in the process of applying for Australian banking licences. Recently, European lenders have withdrawn around $20 billion from our market due to declining markets in their home territories. Asian banks have taken the opportunity to increase their investment here and now wish to create a more secure local presence.
- The Asia - Pacific region is expected to once again be the key to the success of the entire airline industry this year. While airline profits in every region are expected to be down substantially on 2011, the Asia – Pacific area is expected to contribute more than double the combined returns of all other regions.
- Sydney will see a record number of cruise ships visit during the 2012/13 season, with liners making 265 visits before the season ends in April. This represents a 30% increase on the previous year. However, this trend could be threatened by the local Port Authority's announced plan to dramatically increase docking fees.
- Housing prices in Australia are "very high relative to rents and incomes", according to an international study, which finds that Australia, Canada, France and Sweden have the most expensive housing markets in the developed world.

ONE LAST THOUGHT

Not everyone can be the best, but everyone can be their best.

St. Clair partners

Help save our environment - please do not throw this newsletter away.
When you have finished with it, give it to a friend!