



Welcome...

By Jarrod Bramble,
Partner

For over 50 years, Cutcher & Neale have been dedicated to delivering the latest information to medical specialists. So we can continue to meet your needs, we have revamped Dental Wealth into a more reader-friendly newsletter with scenarios you can relate to and tools you can use to analyse your practice.

We hope you enjoy this new and exciting journey with us.

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Are you getting your 'just rewards'?



Many successful business owners suggest that unless you can work out what you should earn from your business financially, you cannot even begin to set your fees. This begs the million dollar question, what should you earn for working long hours day after day?

As a business owner you wear 3 hats:

1. A person who does the core work;
2. A person who owns and runs a business (the CEO); and
3. An investor in a business.

Looking at it this way, you should receive three income streams from your business:

1. As a worker – treat yourself as an employee. You should be paid what you would pay someone else to do your work.
2. As the CEO – you put in time running and directing the business. Even if you have a manager, you still end up putting in time, at the very least thinking about direction and strategy. You should be paid for that time.
3. As the investor – if you sell your business you will hopefully end up with a positive net cash sum. The cash sum is the money you have invested in your business. Considering the risk in investing in a business, you would want a minimum return of at least 20%.

Using this principle, let's look at a simple example on how to calculate the financial reward you should expect from your business.

John owns and runs a medical practice performing core work 4 days a week and spends 1.5 days a week running his business.

The financial reward John should expect from his business is:

Role	Financial Reward	Notes
The Worker	112,000	1
The CEO	24,000	2
The Investor	80,000	3
Total	216,000	

Notes:

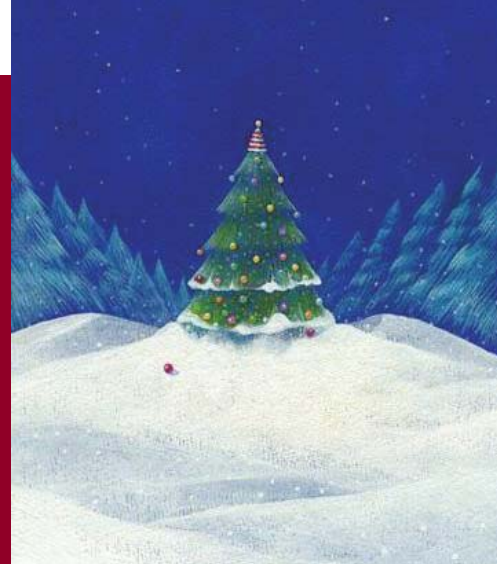
1. Third party market value \$140,000 x 4/5 days.
2. Third party market value of \$80,000 x 1.5/5 days.
3. 20% (minimum) return on estimated investment of \$400,000.

The \$216,000 is known as the Ideal Minimum Scenario (IMS). This is the market value amount you would expect to pay a third person.

Now apply these principles to your own situation and see what returns you should be getting from your business.

If your annual profits are less than your IMS – you have some work to do in improving your business to ensure you receive 'just rewards'. Talk to your advisor or contact our office to discuss how you can grow your business!

Christmas activities an FBT headache?



Don't let your Christmas festivities leave you with a Fringe Benefits Tax (FBT) headache. Plan your Christmas presents and parties now to avoid an unwelcome FBT bill in the New Year!

Entertainment for clients

Providing a Christmas party for clients is not subject to FBT and not tax deductible. Gifts such as Christmas gifts are also not subject to FBT but will be tax deductible (leg hams, etc).

Entertainment for employees

Costs of Christmas parties held on a working day on your premises for employees only are not subject to FBT and are also not tax deductible.

Where a spouse of an employee attends there will be FBT implications if the total benefit (GST inclusive)

provided to the spouse exceeds \$100. If subject to FBT the benefit will be tax deductible.

Christmas parties held off your premises are subject to FBT if the cost of the function exceeds \$100 (GST inclusive) per person (or greater than \$100 for an employee and spouse combined), but is tax deductible.

Conversely if the total benefit is less than \$100 it will be exempt from FBT, but not tax deductible.

Gifts to employees

Christmas gifts for employees costing less than \$100 (GST inclusive) per person are exempt from FBT and are tax deductible, providing they are minor and infrequent. However if they are over \$100 per person they are subject to FBT and are tax deductible.

Bonuses

A Christmas cash bonus may be a welcome gift from employees, however it is important to consider the tax and reporting consequences, as not factoring in the appropriate amount of tax to withhold may result in a tax bill for your employee at year end, not quite the present they were after!! It is also important to remember that a bonus must be reported on your employees Pay As You Go Payment Summary.

Circumstance...	FBT Payable	Tax Deductible
Party on Premises		
Employees	No	No
Employees & spouses – total cost <\$100	No	No
Employees & spouses – total cost >\$100	Yes – on benefit to spouse only	Yes – on benefit to spouse only
Clients	No	No
Party off Premises		
Employees – cost <\$100	No	No
Employees – cost >\$100	Yes	Yes
Employees & spouses – total cost <\$100	No	No
Employees & spouses – total cost >\$100	Yes	Yes
Clients	No	No
Gifts to Employees		
<\$100	No	Yes
>\$100	Yes	Yes
Gifts to Clients		
All	No	Yes

Figure 1: Quick reference table outlining the above points.

Monitoring employee's computer usage

The Workplace Surveillance Act (NSW) 2005 is set to commence in October 2005 and will affect an employer's ability to monitor employee's email and internet usage.

Should an employer wish to monitor an employee's email and internet usage, a policy outlining the surveillance that will occur must be provided to employees in writing at least 14 days prior to commencement and all employees must understand the content.

The notice to employees must indicate:

- the kind of surveillance to be carried out;
- how the surveillance will be carried out;
- when the surveillance will commence;
- whether the surveillance will be continuous or intermittent;
- whether the surveillance will be for a specified limited period or ongoing.



Under the Act it is an offence to block an employee's access to email or the internet unless:

- an email/internet policy is in place;
- the policy has been explained to all employees;
- any blocking of emails is in accordance with the policy;
- the employee is notified the delivery has been prevented;
- the email/internet site being blocked is Spam, damaging, menacing, harassing or offensive.



Implementing IT Security

There are some basic criteria to follow in order to help secure your network no matter how small it may be.

All computers should have a user account setup with a password implemented. Passwords should be complex i.e. contain alpha numeric characters in both upper and lower case and also contain asci characters such as "*" and be at least six characters.

AV

Anti-virus software should be installed on all computers. It is of equal importance that the anti-virus software is kept updated. Don't let

subscriptions run out or neglect to update for months on end.

Firewall

If your internet connection is a DSL (broadband) or you're on the internet for most hours of the day then implementing a firewall would be recommended. Firewalls can prevent getting hacked and also can prevent the spread of Trojans and other malicious software.

Whatever the option taken it's vital that the firewall is configured correctly.



Katrina Wilson

Katrina joined Cutcher & Neale in December 2002 after moving from Gerringong on the South Coast of NSW. Katrina is a member of the Accounting & Taxation Services Team and has over six years experience working in Taxation. She has recently completed her Bachelor of Commerce Degree and is now studying for her CPA.



Natasha MacNeill

Natasha commenced as a trainee accountant with Cutcher & Neale in January 2001 after completing her HSC and moving from Tamworth. Natasha has over four and a half years experience in the Accounting & Taxation Services Division. She has recently completed her Bachelor of Commerce Degree and is now studying for her CPA.

Did you know?

Methods available for claiming work related car expenses

Cents per Kilometre Method

- Claim is based on a set rate per business-related kilometres.
- A maximum of 5,000 business kilometres can be claimed per year.
- Written evidence is not required.

12% of Cost of Car

- Claim is based on 12% of the original value of the car.
- Car must have travelled more than 5,000 business kilometres per year.
- Written evidence is not required.
- The car value is subject to luxury car limits.

One-Third of Actual Expenses

- Claim is based on one-third of each car expense.
- Car must have travelled more than 5,000 business kilometres per year.
- Odometer records or written evidence are required for fuel and oil costs.
- Written evidence is required for all other costs.

Logbook Method

- Claim is based on the business use percentage of each car expense.
- Odometer records or written evidence are required for fuel and oil costs.
- Written evidence is required for all other costs.
- A logbook is required to record the business use percentage.
- Odometer readings for the start and end of the period the car was owned or leased is also required.

Prefer to receive your newsletter by email?

If you would prefer to receive future issues via email, please email your contact details and preferred email address to dentalwealth@cutcher.com.au

We would also love to hear from you if you have suggestions on what you would like to read in future issues.



Share The Wealth - Contributions Splitting

From 1 July 2006, the Federal Government will allow the splitting of superannuation contributions between spouses. Contribution splitting will enable:

- employer and personal contributions to be split between you and your spouse;
- low income or non – working spouses to accumulate their own superannuation;
- increased flexibility in retirement planning;
- the most tax effective superannuation strategy for your retirement savings;
- greater access to Post 83 low rate tax thresholds for lump sum benefits.

Although this legislation was announced in the 2005/06 Budget, the exact details of the legislation have yet to be finalised. Watch this space for further information.

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