



Welcome

In this edition you'll find some tips on how to get a quick snapshot of your practice's financial performance, an update on new rules for hobby farmers, an important Super message for Sessional VMOs and more.

I trust you enjoy the read.

Jarrod Bramble
PARTNER

in this issue...

C&N confirmed as AMA (NSW) Preferred Partner

AMA (NSW) Member Partners events

Revised rules for hobby farmers

3 simple steps to financial budgeting and reporting

National Employment Standards – a quick overview

Super for Sessional VMO's – are you missing out?

Diary Dates

C&N confirmed as AMA (NSW) Preferred Partner



We're delighted to announce that Cutcher & Neale has been confirmed as a Preferred Partner to the AMA (NSW). This means that from June 1 we will be the sole provider of a range of accounting services for the benefit of AMA (NSW) members. These services include:

Duty accountant referral scheme

We will provide members with a half hour telephone or web-based consultation on financial advice at no charge.

Educational programs

We will present seminars and workshops designed specifically for medical professionals in metropolitan, regional and country NSW.

Sponsorship

We will sponsor one of the AMA (NSW) golf day events and offer a **\$50,000 Hole-In-One Prize**.

Easy access

Will be readily available to members via our toll free 1800 988 522 number and online enquiry form.

Internal AMA (NSW) training and support

We will provide updates on any tax and financial issues relevant to medicos at no charge.

Our Medico Division is headed up by Partner and medical specialist, Jarrod Bramble. A highly regarded presenter and commentator on accounting issues affecting medical practitioners, Jarrod heads up a team that includes Relationship Manager, Stuart Chan.

For more information please contact Jarrod or Stuart on 1800 988 522.

AMA (NSW) Member Partners events

Cutcher & Neale recently co-hosted two highly successful seminars for AMA (NSW) members. We had a fantastic turnout with over ninety attendees over two nights.

The topic was *'Using your superfund to invest in property'*, and judging by the response this topic of great interest to members.

The presentation by Cutcher & Neale's Jarrod Bramble included a brief run-down on the current (and ever-changing) landscape of Superannuation, strategies to get the most out of SMSF and opportunities available to medical practitioners including borrowing in SMSF to purchase their own rooms.

In the Q&A session following the presentation, attendees took the opportunity to ask Jarrod numerous questions about his strategies, in particular those for dealing with existing practice premises.

If you'd like to find out how we can help you use your superfund to invest in property, please contact Jarrod or Stuart on 1800 988 522.

→ For upcoming events check our website or visit www.amansw.com.au



Revised rules for hobby farmers

Measures preventing losses incurred from non-commercial activities, carried out by an individual taxpayer (either alone or in partnership), being applied against other assessable income have been in place for a number of years. The intent of these measures has always been to improve the integrity of the taxation system by requiring losses incurred as a result of non-commercial business activities to be quarantined until such time that the business activities were deemed to have occurred on a commercial basis. To this end, a taxpayer was required to satisfy one of the following four tests in order to be eligible to deduct personally incurred business losses against their other income:

- 1. Assessable Income Test – assessable income for the loss year must be at least \$20,000; or**
- 2. Real Property Test – land and or buildings used to conduct the business must be worth at least \$500,000; or**
- 3. Other Assets Test – Total value of other assets used in the business (excluding motor vehicles) must be worth at least \$100,000; or**
- 4. Profits Test – the business has made a taxable profit in at least three out of the last five years.**

Effective from 1 July 2009, a taxpayer will also be required to derive less than \$250,000 in 'adjusted taxable income' from other sources in the relevant year in addition to satisfying one of the above tests. This may mean a number of sole proprietor or partnership businesses that previously passed the tests may no longer continue to do so.

Consider the situation where John, a doctor with a net taxable income of \$300,000 per annum, has acquired a rural property worth \$2,000,000 several years ago on which he runs a primary production business, as a sole proprietor. The business typically turns over \$200,000 per annum. However, due to the interest costs incurred from the loan used to acquire the land used in the business, he typically makes a loss of \$100,000 per annum.

Prior to 1 July 2009 John would have satisfied both the Assessable Income Test and the Real Property Test allowing him to offset his primary production loss against his partnership distribution, thus reducing his taxable income from \$300,000 to \$200,000. However, from 1 July 2009, he will be required to quarantine his loss as he has derived income from other sources in excess of \$250,000. As such, he will not be able to offset his loss against his partnership distribution for the year ended 30 June 2010 onwards. In this situation it would be prudent for John to give consideration to alternative ways he can structure his primary production business in order to ensure he continues to gain access to the losses it generates.

3 simple steps to financial budgeting and reporting

With the end of financial year fast approaching, many GPs will be reviewing recent history and thinking about the year ahead.

They'll be asking themselves some key questions, like, 'How did I perform financially last year? Will this year be much the same? How does my financial performance rate against my peers? What can I be doing now to improve?'

If, like many others, you think getting to the answers sounds painfully complex and time consuming, here's some good news.

Firstly, you can't improve what you can't measure. You need to have a good feel for the numbers in your business to drive performance. So here's a simple three-step process to answer the key questions above.

Step 1: Budgeting

This can be as simple as using the prior year's financial figures, rounding them to the nearest thousand and making any obvious adjustments as required e.g. a new rent figure. The budgeting process is about setting a comparison figure. Annual budget figures can be divided by 12 to get an average monthly budget.

Remember, the budget is simply a starting point and need not be too detailed. It can (and should) be updated as circumstances require. One of the many benefits of even simple budgeting is cash flow management. It allows you and your Practice Manager to identify specific income and expense patterns and plan accordingly e.g. when GPs are taking leave and there is an expected drop in income.

Step 2: Reporting

Most practices already prepare basic profit and loss statements to prepare Business Activity Statements, so the actual reporting is almost complete. Some adjustments may be required to ensure that the categories of income and expenses that you are reporting on are the same as what you budgeted on.

The second stage of the reporting process is to compare the actual numbers to the budgeted numbers. This simple 'budget to actual' review is effective in highlighting areas to address. Variances shouldn't be viewed as either bad or good. Instead, they should be reviewed to determine the reason for the variance. For example, a large expense variance may be due to a timing issue such as lump sum payments of insurance.

Step 3: Reviewing

Check the budgeting and reporting process and make adjustments. The reporting may show a consistent negative variance indicating that either the budget needs to be adjusted or there maybe some underlying income or expense issues that need to be investigated more thoroughly.

As you can see, getting a meaningful snapshot of your financial performance through a simplified budgeting and reporting process can be painless.

For more information on how we can help you with Financial Budgeting, please contact Stuart Chan on 1800 988 522



June

- 21** May Monthly Activity Statement payment and lodgment due.

July

- 21** Annual Payroll Tax reconciliation due for lodgment and payment.

October

- 21** Annual PAYG Instalment Notice due for payment and lodgment.
- 31** 2009 Income Tax Returns due for lodgment for companies with a 31 October due date (letters will be sent out in August 2010).

National Employment Standards – a quick overview

Following the change from the Workplace Relations Act to the Fair Work Act from 1 January 2010, sole traders, partnerships, other unincorporated entities and non-trading corporations in NSW, QLD, SA and TAS will now join employers in VIC, ACT and NT in following the National Employment Standards (NES) and Modern Awards.

Previously, employers in NSW, QLD, SA and TAS were covered by the existing State Awards, however, from 1 January 2010, all states, except for WA, will be aligned and the NES and Modern Awards will apply to all employers.

Those not generally covered by the NES are:

- WA sole traders, partnerships or other unincorporated entities;
- WA corporations whose main activity is not trading or financial; and
- Most state government public sector employers and most local government employers

Transitional Rules

To help move into the NES, the following transitional rules will apply to employers and employees:

- Employers and employees who were covered by state awards before 1 January 2010 will continue to apply, however, on 31 December 2010, these will automatically terminate. On termination, employers and employees will be covered by a relevant modern award.
- Employers and employees covered by State employment agreements made in the State system will continue to operate until terminated or replaced.

What are the ten NES entitlements?

- Maximum weekly hours of work
- Parental leave
- Personal/carers'/compassionate leave
- Long service leave
- Termination and redundancy pay
- Fair work information statement to be provided to employees
- Flexible working arrangements
- Annual leave
- Community service leave
- Public Holidays



Important Disclaimer: The material contained in this publication reflects General Advice only, and has not been prepared to provide specific Personal Advice to any particular individual(s). It does not take into account the individual circumstances, risk profile, needs and objectives of specific individuals. The examples are used for the purposes of illustration only. Readers should not act upon any matter or information contained in or implied by this publication without seeking appropriate professional financial planning advice. The publishers and authors expressly disclaim all and any liability to any person, whether a client of Cutcher & Neale or not, who acts or fails to act as a consequence of reliance upon the whole or any part of this publication.

If the advice relates to the acquisition or possible acquisition of a particular financial product, you should obtain a copy of and consider the Product Disclosure Statement before making any decision.

CN101555/2K

Super for Sessional VMOs – are you missing out?

As a Sessional VMO (SVMO), you're entitled to receive the minimum 9% superannuation support. But are you getting it?

The terms and conditions to access and receive superannuation contributions are detailed in the various NSW Health policy directives and determinations. Amongst the many clauses contained in these documents are details of what SVMOs must do in order to secure their superannuation entitlements. For example, you must lodge your timesheets within a specified time frame.

Failure to follow the process could put you at risk of missing out on superannuation entitlements.

And given the changes to the superannuation contribution limits, you could be further financially disadvantaged as a result of these lost opportunities.

So take the time to understand what you need to do to ensure you get what you're entitled to.

Should you have any queries please feel free to contact Stuart Chan or Jarrod Bramble.