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**KILARA  
PARTNERS**  
CERTIFIED PRACTISING ACCOUNTANTS

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Partners

Malcolm I McLean CPA  
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Liability limited by a Scheme approved under  
Professionals Standards Legislation.

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As Trustee For  
Dowmac Services Trust No 2  
ABN 69 641 061 691  
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Superannuation Specialists  
Malcolm I McLean CPA,SSA  
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SMSF Specialist Advisor™



# In the Loop

**MARCH/ APRIL 2015**

## **OFFICE CLOSURE**

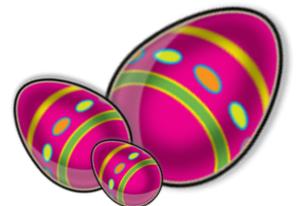
We will be **closed** for the following public holidays:

- **Easter period from Friday 3 April to Tuesday 7 April 2015 – reopening on Wednesday 8 April 2015.**

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### **An important message**

*While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.*

## News from our office

We welcome Jennie Evans to the Kilara Team. Jennie previously worked for Ovens Mitre 10 in Myrtleford, WAW Credit Union and Doyle Timms in Wangaratta. She loves exercising while enjoying the great outdoors in the Beechworth region.

Sadly, Morgan Hickey finished up with us in January. She will be sorely missed but we wish her all the best with the move to the big smoke.

Karly Tafft participated in the Albury Gift in January. We are pleased to announce Karly ran a very close 7<sup>th</sup> in the race – congratulations on this fantastic achievement!

## Wangaratta Office

Kilara Partners is pleased to announce we have opened an office in Wangaratta.

Our newest staff member Jennie Evans and Jamie White will be working in the office and the operating hours are 9:00am to 5:00pm; Monday to Friday.

Address is 105B Murphy Street, Wangaratta and telephone number is 03 5721 8381.

## Mail Postage

Please note the turnaround time for Kilara to receive your mail is up to 14 days. Where possible please email your information to us so we can provide a quick and efficient service to you.

## Youth Allowance

Starting Uni can be tough, both for students and parents. However, it can be made a little easier financially, if your son or daughter qualifies for Youth Allowance.

The two **main** ways our clients qualify for Youth Allowance are:

1. As an independent – by earning 75% of the National Youth Training Wage (currently \$22,239) in an 18 month period since leaving school (must have left school at least 18 months prior) **AND** have to live away from home to study **AND** by coming from a remote or regional area of Australia (check Department of Human Services website for

designated areas) **AND** combined parental income must be under \$150,000; or

2. As a dependent – If the combined parental income is below \$50,151 a student can receive full rate of payment \*, currently at \$426 per fortnight. If combined parental income is greater than \$59,151 then a student can receive a reduced rate of payment until the cut off threshold is met. The threshold varies depending on the family situation and an asset test may apply.

Applying for Youth Allowance can be overwhelming, with many questions proving difficult to answer. If you have a son or daughter attending university and would like to know more about Youth Allowance, or whether they may or may not be eligible, please call our office.

## Challenges Galore in 2015!

Happy new year and all the best for a successful business operation throughout 2015!

There are certainly a lot of challenges for 2015, including:

**Australian Economy** – Last month, the Reserve Bank of Australia lowered the official interest rate to 2.25%, the lowest for many years. This is not a decision to assist borrowers. Instead, this is a reflection of the poor performance of the Australian economy.

**Turbulence in Politics** – Continuous “disputes” in the Australian government don’t help business confidence. The recent State election results in Queensland and Victoria highlight that electorates are becoming tougher to please. The uncertainty that is caused by the turbulence adds pressure to running businesses.

**Chinese Market** – Whilst the lower Australian dollar is welcome news for exporters to China, continuing uncertainty relative to the growth within the Chinese market, will cause ongoing concerns in Australia.

**Currency Movements** – The currency movements have been very good for exporters. However, this means higher prices for businesses that require imports for their business operations.

The economic forecasts for 2015 focus around the following:

- GDP growth – 3.2%.
- Activity growth – 1.8% (this is down due to a lack of confidence and a reduction in resource

prices, mainly because of less activity in China).

- CPI growth – approximately 2.7% (slipping back a little).
- Budget deficit - \$35billion (not the decrease the government was planning).
- Interest rates will probably remain at around 2.25% for some time (a great opportunity to lock in these rates).
- Exchange rates – will probably settle at approximately 77cents US to an Australian dollar.

Business operators need to be preparing their own forecasts for 2015 for revenue and costs, dissected into individual cost control centres, if possible, to gauge potential performance for this year.

Cashflow management continues to be very important. This includes the monitoring of debtors, work in progress, stock and capital expenditure.

If you would like to talk to us relative to preparing budgets and cashflow forecasts and preparing or updating your business plan for 2015, please don't hesitate to contact us.

## Why is Insurance important?

Superannuation and life insurance are similar in that they both provide for you financially when you may not be able to provide for yourself. No matter how comprehensive and successful your Investment Plan may be, the most important asset you and your family have is your health. Without your health, you lose your ability to provide for yourself and your family on a day to day basis, let alone meet your long term goals. By taking out Insurance through your Self-Managed Super Fund (SMSF), you can be comforted that if the worst happens, you and your family will be protected.

### How it Works

The SIS Act requires all SMSF Trustees to consider the insurance needs of your members as part of the fund's investment strategy. Your SMSF is permitted to arrange Insurance for its Members.

### Why insure within your SMSF?

There are two main reasons why Members obtain Insurance through their SMSF rather than in their Individual Name namely:

1. The insurance premiums are paid for by the SMSF, rather than the Member having to pay for them out of their own financial resources. This alleviates personal cash flow concerns about how to fund the Insurance Premiums.
2. The insurance premiums are tax deductible to the SMSF providing an effective 15% tax saving and in turn an "effective" reduction in the annual premium. Note that Life Insurance and Total & Permanent Disability Insurance are not tax deductible in your personal name.

### Avoid Audit Issues

The Insurance Policy must be in the SMSF trustee's name with a specified Member named as the Insured person.

### Cannot transfer from Individual Name

Where you already have an Insurance Policy in your personal name you must ensure that the SMSF does not pay for the Insurance Premiums. Most clients attempt to resolve this issue by transferring the Individual Policy to their SMSF. This is illegal and you must ensure this is not done. If you have an Individual Insurance Policy and want this transferred to a SMSF you must cancel the existing policy and arrange for a new policy in the name of the SMSF to be implemented.

## Tax Planning - 2015

Each year we send out to you an exhaustive list of options in relation to tax planning.

What we hope to do is to focus on some easy and simple things that can help reduce your taxable income - without putting you to sleep!

Also, please remember that it's always a good idea to give your accountant a call before you take any action.

### General tips for both individual tax payers and business owners.

- Pay your tax deductible expenses before the 30 June 2015 so that you can claim the deduction in the current tax year (if you run on a cash basis).
- Record keeping (yes we know, boring and unexciting but please stay with us) this can be as simple as putting all your tax documents in the one place (it could be a folder or even a shoe box - it doesn't have to be pretty), as

long as they are in the one place so that when you come to see your accountant they are not forgotten.

- If you have a loan with interest that is tax deductible, talk to your bank about prepaying the interest.

### **Superannuation contributions for people who are self-employed:**

Please note that the deductible superannuation limit for the 2015 is now \$35,000 for anyone aged 50 or over at 30 June 2015 and \$30,000 for everyone else. It's a good idea to get your cheque off to the super fund early. To claim the deduction in the 2015 year the super fund must receive the money on or before the 30 June 2015.

### **Superannuation contributions for people who are self-employed and employees:**

If you are turning 55 this year or are over 55 and working for wages, a transition to retirement strategy could be a great way to reduce your tax and top your super up at the same time.

Make sure you review any Salary Sacrifice strategy and make sure it is in line with current concessional contributions caps.

### **Business owners:**

- Talk to your accountant and find out if your tax is being prepared on a Cash or Accrual basis. If you are on a cash basis, you need to incur & pay the expense before 30 June to claim the deduction in the current year. If you are on an Accrual basis you need to hold an invoice that is payable. Again it all comes back to record keeping, but it can really help to reduce your tax liability.
- Subject to cash flow requirements, consider deferring income until after the 30 June. This can have great benefits if you know that your income will be low in the 2014/15 year. For accrual basis, this means deferring sales, not just payment.

- Pay all your outstanding superannuation obligations before 30 June, regardless of whether you are Cash or Accrual for tax purposes.
- Review any bad debts and write off in your accounts before 30 June.

### **Changes to Asset Deductions for Small Business:**

- The instant asset write-off threshold is now \$1,000 with the full amount being deductible in the year you incurred the expense.
- The long life pool and general pools are now consolidated into a single pool and depreciated at the same rate of 30%.
- Look at the option of paying your spouse and/or other family members a wage before the 30 June.

### **Profit Estimate (Profest)**

Very shortly we will be offering our premium tax service – profit estimate to our regular clientele.

Our famous profit model has been updated to 2015 specifications and is ready to accurately predict your 2015 taxation liability before the end of June 2015.

If you wish to engage Kilara's profest services, please contact our office or look out for our profest engagement form.

### **How 90-day goals are better than year-long ones**

Most people who set New Year's resolutions don't follow through on them.

Annual business goals often fall by the wayside as well. Consequently, late December brings a crush of articles on why we fail, and how we might reform the process to boost success. Among the best suggestions I've heard lately? Forget year-long resolutions and focus on 90-day goals. Several small business owners who tried this over the past year as part of an accountability group they participated in explained to me why this tweak helped their businesses, and lives.

## 90 days isn't too long

Life changes a lot in a year, especially if you work at a start-up. Goals set annually may not feel relevant in 12 months. Or 12 months seems so far away that you figure you can always start tomorrow. Ninety days, on the other hand, is about "holding me accountable to my long range goals, but in smaller chunks, so I actually see an end in sight". \* [www.fastcompany.com](http://www.fastcompany.com)

## Farm Innovation Fund – NSW Farmers Update

Following on from our December newsletter, the NSW Government has announced the following funding:

- 250 million in low interest loans over five years to continue the Farm Innovation Fund – providing concessional loans to primary producers to prepare for future drought.
- \$45 million over five years in scholarships for farmers to undertake vocational training and farm business planning to prepare for future droughts.
- \$5 million over five years to provide transport assistance for animal welfare and donated fodder within NSW.
- \$2.5 million to work with the Bureau of Meteorology to develop an enhanced network of weather stations across NSW.
- Work with the Commonwealth Government and farming communities to develop a commercial multi-peril insurance product for the cropping sector.
- Ongoing investment in research and development through the Department of Primary Industries.

Kilara is currently helping NSW farmers with their applications. We believe this scheme is a fantastic way to fund long term infrastructure projects for terms up to 20 years at a fixed interest rate of 2.5%. It is also a great way to fund some tax relief. Please call Andrew to discuss your options.

## Farm Management Deposit Changes Consolidating Multiple Deposits

The tax laws have changed to allow you to consolidate deposits into a single FMD without any tax consequences.

Up until 30 June 2014:

- If you consolidate your deposits into a single deposit, the tax law regards the deposits as being repaid to you, and therefore included as assessable income.

From 1 July 2014:

- You can consolidate without the original deposits becoming assessable income, provided the consolidated deposit meets the requirements outlined below.

From 1 July 2014 you may consolidate two or more deposits into a single deposit without any tax consequences provided that, after merging your deposits, the consolidated deposit contains only amounts that you have:

- Held for at least 12 months.
- Claimed a tax deduction for.

### Claiming Deductions

You can claim a deduction for deposits you make in the income year you made them. You cannot claim a deduction for deposits in the current income year if:

- Your taxable non-primary production income for the income year is more than \$100,000 for income years beginning from 1 July 2014 (before 1 July 2014 \$65,000).

Any deduction you claim cannot be more than:

- An amount that causes your total FMDs to be more than the \$400,000 account limit.

You cannot claim a further tax deduction on the transfer, reinvestment or extension of existing deposits. Therefore in these situations:

- Your taxable non-primary production income is not limited to \$100,000.

If you have been affected by certain [natural disasters](#), you can:

- Access funds within 12 months of you making the deposit.
- Retain the tax deduction for the original amount in the income year you made the deposit; the repayment is assessable in the year it is repaid.

## Claim Super online for Temporary Residents

Do you know of people working in Australia on temporary resident visas? They may be able to

claim any super they accumulate while working here, after they depart and their temporary resident visa ceases to be in effect. This payment is called a Departing Australia superannuation payment (DASP).

DASP online is a free service to help temporary residents submit DASP claims electronically with either super funds, or the ATO, depending on who's holding the super.

## Bank Relationships are Important

At present, the majority of bank lending is for property investments. Banks are saying this is where the demand is. Bank lending for property is easier than lending for small businesses.

To have a successful relationship with your bank, you should consider implementing a bank strategy, including preparation of a budget and cashflow forecast, which indicates that you have a profitable business and the ability to repay the loan. Prior to approaching the bank, it's a good idea to think about what the bank's questions are going to be and formulate your answers. These questions might relate to previous discussions you've had with the bank. Other potential questions include:

- Are you running a profitable business?
- Do you have the cashflow to repay the loan?
- What security are you offering?
- How are you running a sound business? To be able to convey to the bank that you're doing this within your business, you should be able to show your banker that you're doing your homework on your customers, that you have an appropriate debtors' management system, you might insure your debtors.
- Does your staff have adequate training? Are they able to make day-to-day decisions?
- What is your relationship with the ATO? Are you in arrears or are you up to date with them?

It's also a good idea to find or build a 'cashflow buffer' within your business, so that you're able to negotiate the difficult conditions, which most businesses around Australia are in at present.

If you would like to have a discussion with us relative to the development of strategies that suit your business or your dealings with your bank, please don't hesitate to contact us.

## What Services Can Accountants Offer

Your business' health is very important for the long-term, successful operation of your business. As your accountants, we can assist you by preparing a number of reports and reviews to measure your business' health, including:

### Break-Even Calculation

This is the amount of sales that need to be made each week or each year, so the business is neither trading at a loss nor failed to create a profit. The key components of the calculation of break-even are your business' overhead expenses and the business' gross profit percentage.

### Working Capital Evaluation

Detailed evaluation of amounts owing for sundry debtors, investment in stock, investment in work in progress, owing to creditors and bank accounts will assist in the calculation of the excess of current assets over the current liabilities or working capital.

If you would like to have a discussion with us relative to the implementation of business health checks for your business, please don't hesitate to contact the accountant within our firm with whom you normally have dealings.

### Key Performance Indicator (KPI) Reports

Data required to be entered:

- Number of days lost through weather, etc.
- Customer/patients' income.
- Prospects.
- Customers.
- Source of enquiries.
- Complaints.
- Suggestions.
- Sales – sales data relating to method of payment (cash, internet and credit sales).
- Sales dissection – dissection of 'departmental sales' will assist in producing a range of statistics.
- Hours business operated – the hours the business was open and operated during a period can facilitate calculation of various figures.

- Cost of goods sold (gross profit) – if it's possible, it's desirable to calculate gross profit percentages on individual departments or product lines. This will give you a far greater indicator of what is really happening in your business rather than an overall gross profit percentage. However, if you're only able to determine an overall gross profit percentage, that's better than not regularly determining any gross profit percentage at all.
- Employees – by entering the details of your team, this will enable various calculations to be made on productivity, labour cost, etc.
- Stock/inventory – keeping record of stock and inventory will assist in the calculation of ratios relating to stock and work in progress.

A business health check report includes a Key Performance Indicator (KPI) report, prepared after basic information has been entered.

The final Key Performance Indicator (KPI) report can give you indications such as:

- Sales increase/decrease from previous period.
- Daily sales.
- Sales per full time employee.
- Sales per total hours worked.
- Sales per square metre (excluding internet sales).
- Sales per total hours store opened.
- Average sale.
- Average sale per internet sale.
- Percentage of credit sales.
- Sales dissection of the various product ranges your business sells.
- New customer percentage to total.
- Average sale from new customers.
- Sources of enquiry (advertisement through newspaper, radio, TV, internet, yellow pages, sponsorship, pamphlet drop).
- Gross profit analysis for the various departments.

The real value of this type of information is when you're able to compare it to your previous results and to your budget, as well as undertake a benchmark comparison with another business or another group of businesses.

## Ratio Analysis

There are various ratios that can be prepared to enable a business to compare itself to its performance in previous accounting periods and to also benchmark the business' performance against other similar businesses. Some of the ratios include:

- Increase/Decrease in Sales Percentage – this is the percentage rate of increase of sales being compared to the previous year or accounting period.
- Break-Even Sales – this is the amount of sales that have to be made at the business' current gross profit margin, to cover the fixed and variable costs of running the business before any profit is earned.
- Stock Turnover – how many times does the stock turn over in the year? A higher turnover is normally considered better, as the business is not investing as much money in old stock.
- Debtors' Days Outstanding – this calculation gives the number of days the debtors are outstanding.
- Creditors' Ratio – measures the degree to which creditors are being used to finance the business.
- Gross Profit Percentage – is calculated by dividing gross profit by sales, multiplied by 100/1.
- Mark Up Percentage – is calculated by dividing gross profit by cost of sales, multiplied by 100/1.
- Net Profit Percentage – this is calculated by expressing the net trading profit as a percentage of sales.
- Net Profit Before Interest – this shows the net profit percentage if the business had no debt.
- Expense Ratios – this is the calculation of key expense percentages against sales, so that comparisons can be made against sales and percentage in previous accounting period, budgets, benchmarked against other businesses. Key expenses normally include wages and salary, employment on-costs, advertising and rent.
- Sales per Person – you need to calculate the number of equivalent full-time employees in the business. You do this by dividing the total hours worked by 38 to determine the number of full-time equivalent employees. The sales figure is then divided by the calculated full-time

equivalent number of employees, to determine average sales. The calculated sales per person can be compared against other firms as part of a benchmarking review.

If you would like us to undertake a business health check of your business, please don't hesitate to contact us.

## Characteristics of a Well Run Business

### Planning

To run an outstanding business, it's necessary to produce written procedures for all activities of the business – from the opening of the front door at the beginning of the day's activities, through to the closing of the door at the end of the day's business activities.

The procedure manual should establish procedures by which the business is going to abide:

- telephone calls
- telephone messages
- emails sent
- received emails
- correspondence
- stock ordering
- receipt of stock
- stock takes
- cash control
- electronic banking
- management planning
- meetings
- productivity of staff
- payroll records
- work care
- research and development
- government grants for which the business might be eligible
- updating or preparation of the business plan
- budgets and cashflow forecasts
- planning for the launch of new products
- planning for marketing and professional selling activities
- staff training and professional development

Planning will give the business an excellent foundation, not only to plan the future, but to compare actual progress to what was originally targeted.

### Quality Control

There are significant benefits to a business from the development of internal control manuals to cover all operations of the business. This will ensure the standards, agreed to in various discussions when the business was established, are abided by in the future when, undoubtedly, there would have been changes of staff and different personnel rotated to various jobs.

Businesses should be establishing personnel who are responsible for checking that the quality control system is being abided by in all parts of the business operations.

The key question to ask is: *What standards do the customers require and expect the business to be able to perform?*

The quality control system should then be developed to ensure the same consistent service can be delivered to customers every day of the week, irrespective of the personnel involved in the delivery of those services.

### Management/Administration

An excellent administration system is vital for business' success. The key requirements of an administration system include:

- Employment of appropriate staff of all levels.
- Staff training.
- Management showing support and cooperation for the implementation of the business strategy.
- Appropriate communication within the workplace.
- Regular team meetings.
- Regular planning meetings.
- Retreat meeting – for example, once every six months, to fully review the operations of the business and to plan future activities.
- Development of a business plan with a detailed action plan.
- Regular review of the business plan and action plan.
- Establish a corporate responsibility chart for the business, irrespective of how small the business is. This will assist in the identification of the key duties to be undertaken by individual management and team members.

## 'Digital Disruption' is a Major Concern

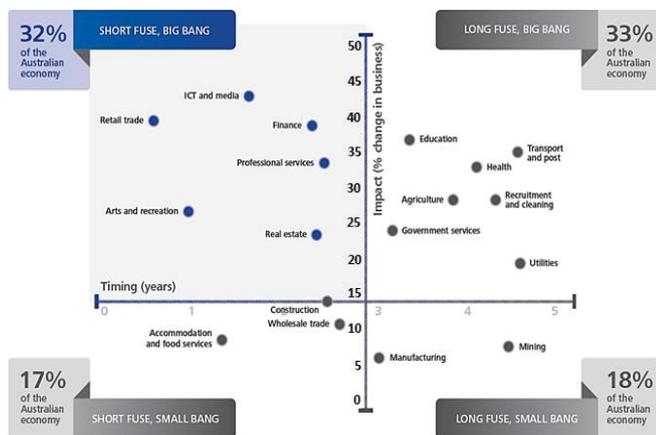
A clear warning was issued by Jason Bender, partner at Deloitte Chartered Accountants, at the Australian Technology Showcase for Accountants (ATSA) Conference in Melbourne, held on 20-21 October 2014, that the 'digital disruption' is starting to affect many industry groups.

Two years ago, Deloitte produced a report, 'Digital disruption – short-fuse, big bang?' The report predicted that six different industry groups would encounter 24% to 43% of revenue becoming 'disrupted' over time.

Mr Bender indicated that 'disruption' doesn't mean revenue is gone. However, there would be a need for the affected industries to develop strategies on how to respond to changing market conditions.

Mr Bender referred to the changes that have occurred, over recent years, to businesses such as video stores and the flow-on effects that were then felt by property investors and shopping centres where other tenants missed the customer drawing power that the video stores used to generate. Mr Bender indicated that there's a flow-on effect from one business closing down to others in the location.

The 'digital disruption' forecast highlighted significant changes that will occur.



Mr Bender said, "These changes can creep up on you." It's the same as the 'rear vision mirror' of your car – it doesn't show you how close the vehicle behind you is to your car. The market forces that are going to require changed strategies within the six affected industries in 'short-fuse, big bang' are a lot closer than what they appear to be.

"One of the prime examples of what can happen, if a business does not respond to changing technology is what happened to Kodak." He indicated that "Kodak had the first patent of digital technologies, but were happy with their existing model. The business went into bankruptcy."

If you would like to have a discussion with us relative to developing a strategy to combat 'digital disruption' for your business, please don't hesitate to contact the accountant within our firm with whom you normally have dealings.

## Industry Skills Fund Launched

The government expects that 200,000 training places and training support services will be offered over the four-year period.

The fund primarily targets small/medium enterprises, which plan to upskill and re-skill their workforces to better position themselves for growth opportunities.

Assistance is available as follows:

- Skills Advice – help with identifying skills, opportunities and maximising training outcomes.
- Training Grant – for businesses which are looking to improve the skills of their workforce, for an identified growth opportunity.

Businesses may access one or both of these categories, depending on business needs, eligibility and merit.

The government has identified priority industries for these grants. These are:

- Food and Agribusiness.
- Mining Equipment Technology and Services.
- Medical Technologies and Pharmaceuticals.
- Oil, Gas and Energy Resources.
- Advanced Manufacturing.
- Enabling technology and service industries that support one or more of the priority areas listed above.

Applicants within the priority sectors will be fast-tracked through a streamlined assessment process. Applicants that don't fall within the priority sectors are still able to apply. However, they will need to clearly show in their application that they have significant growth potential and are preparing to reposition themselves to take advantage of economic opportunities.

**Skills Advice** will be available from experienced advisors, employed by the government, who would make recommendations on the type of training that is appropriate for the business.

**Training Grant** help the applicant with the cost of training that is approved by the Industry Skills Fund. The applicant's contribution would depend on how many Full-Time Equivalent (FTE) employees the applicant has.

The applicant would be required to contribute as follows:

- Micro-Businesses (0-4 FTE employees) – 25%.
- Small Businesses (5-19 FTE employees) – 34%.
- Medium Businesses (20-199 FTE employees) – 50%.
- Large Businesses (200+ FTE employees) – 75%.

Applicants must:

- be a company or a trust that has a trustee that is a company;
- have an Australian Business Number (ABN) and be registered for GST; and
- have operated in Australia and have filed Business Activity Statements, showing ongoing trading, for at least three consecutive years.

Eligible learners under the grant will include new and/or existing employed workers that:

- have not previously completed the training course;
- are permanent residents of Australia or a New Zealand passport holder who has worked in Australia for at least six months;
- are of legal working age; and
- satisfy the training program/licencing prerequisites.

If you require further information on the Industry Skills Fund, please don't hesitate to contact us.

## Capital Gains Tax - Update

If you're planning to sell your business, capital gains tax is an enormous issue.

The Australian Tax Legislation includes some generous capital gains tax concessions. However, they are also complex.

The first test relates to income. If the business' income is less than \$2million per annum, irrespective of the value of assets owned by the

business, then capital gains tax would probably be able to be avoided on the sale of your business.

The second area relates to the value of assets. Your assets can include net assets of family members in your overall calculation. The value of assets is determined at a particular time. It's what the assets are worth at that time. Some assets are not included in the assets test. The calculation is made on net assets and, therefore, all liabilities should be brought to account in the calculation of the net asset value. If the net market asset value doesn't exceed \$6million, then, most probably, capital gains tax is not payable you can access the small business CGT concession to reduce or eliminate any capital gains. The net market value of assets includes all of your business assets but excludes your family home, superannuation and personal use assets. Personal use assets could include a holiday home if you're not renting it out.

If you're selling a business, you can include in liabilities the commission for the sale of the business and any other expenses that are necessary to enable the sale of the business. It's important to consider all of the liabilities you have to ensure they're all included in this calculation.

The capital gains tax concessions are very attractive. However, there are traps and we recommend that, prior to finalising any business arrangements relative to the calculation of capital gains tax concessions for small business, you contact us for a discussion on your individual position.

## Aged Care Homes – means tested care fee

The Australian Government pays for the bulk of aged care in Australia, but as with all aged care services, you may be asked by your service provider to contribute towards the cost of your care.

Depending on your income and assets you may be asked to pay a means-tested care fee. This is an additional contribution towards the cost of care that some people may be required to pay. It contributes to your day-to-day care costs such as nursing and personal care.

### Other fees you may be asked to pay

Your aged care home may also ask you to pay one or more of the following fees:

- **A basic daily fee:** this covers living costs such as meals, power and laundry. For some people this is the only fee they are required to pay.
- **An accommodation payment:** this is for your accommodation in the home. Some people will have their accommodation costs met in full or in part by the Australian Government, while others will need to pay the accommodation price agreed with the aged care home. The Department of Human Services will advise which applies to you based on an assessment of your income and assets.
- **Fees for extra or additional optional services:** additional fees may apply if you choose a higher standard of accommodation or additional services. These vary from home to home. Your aged care provider can give you details of these services and the fees that apply.

### **How much means-tested care fee will I be asked to pay?**

The amount you pay will depend on your income and assets; however, there are limits in place.

If you are not required to pay the means-tested care fee, the Australian Government will pay the full cost of your care.

There are annual and lifetime caps that apply to the means-tested care fee. Once these caps are reached you cannot be asked to pay any more in means-tested care fees.

### **Fee estimator for aged care homes**

You can use the Government's Residential Care Fee Estimator to help you estimate what costs your aged care home may ask you to pay. The Fees for Home Care Packages and Residential Aged Care for People Entering Care from 1 July 2014 information booklet provides more details on aged care home costs.

### **How are my income and assets assessed?**

Everyone entering an aged care home for the first time from 1 July 2014 will need to complete and lodge an income and assets assessment form which will be used to determine their costs.

Please note that if you are a member of a couple, half of your combined income and assets are considered in the income and assets assessment, regardless of which partner earns the income or owns the asset.

You must lodge this form even if you currently receive a means-tested income support payment

from Centrelink or the Department of Veterans' Affairs (such as the Age Pension or the Service Pension), although in this case you will not need to complete all details on the form.

You are able to request an assessment prior to entering aged care. The initial fee notification advice you receive will be valid for 120 days unless there is a significant change in your circumstances, in which case you will be required to notify the Department of Human Services (or Department of Veterans' Affairs).

The Department of Human Services (or Department of Veterans' Affairs) will conduct your income and assets assessment. They will advise you and the aged care home of the means-tested care fee that your service provider can ask you to pay.

If you do not complete and lodge the income and assets assessment form, you will not be eligible for any Australian Government assistance with your aged care home costs. This means you can be asked by your service provider to pay the full cost of your care and the maximum accommodation payment you agreed with the provider.

### **Will my means-tested care fee change over time?**

Yes, your means-tested care fee may change. If your income and assets change, your assessment will be updated. The Australian Government will let you and your provider know if your means-tested care fees have changed. If your fees decrease, you may receive a refund from your aged care home. If your fees increase you may be asked to pay more; however, this will not be backdated.

### **What if my financial circumstances change?**

If your income or assets change during the assessment period, you should advise the Department of Human Services or the Department of Veterans' Affairs. If there are any significant changes to your personal or financial circumstances during your time in care, you will also need to notify the Department of Human Services or the Department of Veterans' Affairs.

### **Annual and lifetime caps**

There are annual and lifetime caps that apply to the means-tested care fee for aged care. Once these caps are reached, you cannot be asked by your service provider to pay any more of a means-tested care fee.

Any income-tested care fee paid in a Home Care Package will also count towards your annual and lifetime caps in residential aged care.

The Australian Government will pay your means-tested care fee for you after you have reached these caps.

The Australian Government will notify you and your service provider once you have reached the annual or lifetime cap.

### Annual cap

The maximum means-tested care fee you can be asked to pay each year is \$25,349.21. This cap is indexed.

Once this cap is reached, you cannot be asked to pay any more means-tested care fees until the next anniversary of the date of your first entry into an aged care home. Your service provider can still ask you to pay the basic daily fee and your agreed accommodation costs.

### Lifetime cap

The maximum means-tested care fee you may be asked to pay is \$60,838.12 in your lifetime. This cap is indexed.

When you have reached this lifetime cap, you cannot be asked to pay any more means-tested care fees. You can still be asked by your service provider to pay the basic daily fee and your agreed accommodation costs.

### What if I entered an aged care home before 1 July 2014?

The costs for aged care homes changed on 1 July 2014. If you entered a home before 1 July 2014 you will continue to pay the costs under the old fee arrangement.

### Recipe – Easter Bunny Cupcakes

Prep	Cook	Difficulty	Servings
30 mins	25 mins	Easy	12



### Ingredients

340g packet golden buttercake mix  
2 x 30g chocolate flake bars, roughly crushed  
¾ cup shredded coconut  
24 strawberries and cream lollies  
24 blue mini M&Ms  
12 red mini M&Ms  
12 white mini marshmallows, halved crossways  
24 white tic tacs  
Rich chocolate writing fudge

### Buttercream Icing

150g butter, softened  
2 cups icing sugar mixture, sifted  
1½ tablespoons milk  
1 teaspoon vanilla essence

### Method

#### Step 1:

Preheat oven to 180°C/160°C fan-forced. Line a 12-hole, 1/3-cup capacity muffin pan with paper cases.

#### Step 2:

Make cake mixture following packet directions. Fold in crushed flake bars. Divide mixture evenly between cases. Bake for 20 to 25 minutes or until golden and a skewer inserted in 1 cake comes out clean. Stand in pan for 2 minutes. Transfer to a wire rack to cool completely.

#### Step 3:

Meanwhile, make Buttercream icing Using an electric mixer, beat butter until light and fluffy. Gradually add icing sugar mixture, milk and vanilla, beating until well combined. Reserve 1/4 cup icing. Spread cupcakes with remaining icing. Sprinkle with shredded coconut. Lightly press to secure.

#### Step 4:

Trim 5mm from 1 short end of each strawberries and cream lolly. Using the picture as a guide, use a little remaining icing to secure two strawberries and cream lollies into top of 1 cupcake to form ears. Press 2 blue mini M&Ms on to cake to form eyes. Press 1 red mini M&M on to cake to form a nose. Press 2 mini marshmallows below nose to form cheeks and add 2 tic tacs for teeth. Use chocolate writing fudge to pipe dots in centre of eyes to form pupils. Set aside for 10 minutes or until set. Repeat with remaining cupcakes, lollies, M&Ms, mini marshmallows, tic tacs and chocolate writing fudge. Serve. \* [www.taste.com.au](http://www.taste.com.au)