The BOTTOM Line

OUT & ABOUT WITH DD

EDUCATING AND INFORMING OUR CLIENTS

In 2013 we will continue to provide all clients and friends of DD with concise, topical and educational videos via Below the Bottom Line. This is a popular and convenient way to remain in touch with us as your Accountants and remain informed about some of the latest local business and financial related news and views delivered in an easy to understand manner.

We will be providing regular updates from George, Brad, the team and special guests who will be discussing a range of relevant topics. As always, we welcome your feedback and suggestions of topics that you would like to see and hear more about. Why not subscribe to Below the Bottom Line to ensure you never miss an update by going to - www.ddvic.com.au

OUR TEAM MEMBERS:

WE CONGRATULATE:

Andrew Politini
Completion of the CPA programme and Andrew now advances to the CPA status.

Rory Wood
Completion of the CPA programme and Rory now advances to the CPA status.

Anthony Fernando
Completion of the Institute of Chartered Accountants CA programme and Anthony now advances to CA status.

WE WELCOME:

Anna Beard
We are pleased to welcome Anna Beard-Senior Accountant – to our team. Anna has over 11 years experience in the accounting profession and provides further skills and experience to our business services and tax teams. Anna has particular expertise within the Equine Industry and will work with Brad Purvis to expand this division of the practice.

AND ……..

We pass on our best wishes to **Amanda Castricum** -Associate Director, who is getting married in New Zealand on the 31st March 2013. We wish Amanda and Nick all the best for their upcoming wedding and a wonderful future together.

UPCOMING SEMINARS

Throughout 2013 we remain committed to providing informative seminars and client updates. In recognition of our capabilities across a range of accounting and taxation areas, members of our professional team have been invited to speak as Guest Presenters at a number of upcoming events. Topics include - property and self managed superannuation, tax hot spots, business growth strategies and a range of related topics. Details of these events will be provided during the year.

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From left: George Zarpalass, Vin Crowe & Brad Purvis

VIN CROWE JOINS FORCES WITH DUNCAN DOVICO

We are delighted to announce that effective 1st March 2013, Vin Crowe & Associates will join forces with Duncan Dovico.

Vin Crowe has a proud and long established history of over 35 years servicing clients in and around the Ringwood area. Their teams experience and knowledge will be a valuable addition to the Duncan Dovico group.

The clients of Vin Crowe and Associates will also benefit from the additional capabilities and services offered by the team at Duncan Dovico.

Vin's team will continue to be based at Ringwood providing the combined practice with a new location to compliment the firms existing offices in Heidelberg and the Diamond Valley.

George Zarpalas and Brad Purvis, Melbourne Partners of DD, welcome Vin Crowe and his team on board, and both look forward to meeting Vin's clients and continuing to provide solutions to their accounting, tax and related financial needs.

For further information about the combined team's services and profiles of our professional team, we invite you to visit our website at www.ddvic.com.au

EDUCATING AND INFORMING OUR CLIENTS

Visit us at ddvic.com.au and view our video library

The Bottom Line regarding Research and Development Tax Incentives impacting on Business

Special Guest Mike Hawkins talks with Brad Purvis about the financial landscape

Hear about the new MYOB AccountRight Live cloud based software and its benefits

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IS YOUR BUSINESS MISSING OUT ON GOVERNMENT R&D TAX REBATES?

What is Research & Development ("R & D")?
"Innovation "and "R&D" are perennial buzzwords which mean different things to different people.

From the Tax Office's perspective R&D is about solving technical problems whose answer is unknown through a process of experimentation, and iterative testing.

A business may find itself involved in solving technical problems related to developing a new product, a new process, a service, a device or material, and or solving a series of problems or processes. Experimentation and R&D doesn't mean you need to wear a lab coat, it does however require you to have a systematic approach and some documentation to back it up.

What expenditure is eligible expenditure for the tax office R & D Incentives?
The typical areas of eligible expenditure include:

- Salary and wages,
- Australian-based contractor's fees,
- Administration overheads,
- Prototypes, plant and pilot trial expenditure.

What is the dollar value of the Tax office R & D Tax Incentive and who is eligible?
The Tax Office provides a 45% rebate on every eligible dollar spent in eligible research and development activity for companies under $20M turnover.

The R&D Tax Incentive is made available to incorporated companies who have spent at least $20,000 on eligible activities.

How do I access this incentive?
There is a structured process involved. Duncan Dovico work in conjunction with Treadstone, who are specialist consultants in the area of government grants and R&D tax to achieve the most favourable outcome for our clients.

Part of the process involved in accessing the rebate requires registration with AusIndustry, a government agency, no later than ten months after the end of a financial year.

The deadline for registration with AusIndustry is 30 April 2013. Contact us now if you believe that you have incurred eligible expenditure, and to calculate a potential rebate. We can assist in identifying and documenting the technical aspects of your research and development activities.

For more information contact Christopher Cicutto at our office on 1300 883 122 or email christopher.cicutto@ddvic.com.au.

Further updates and details about the many grants and rebates available will shortly be provided via our You Tube channel – Below the Bottom Line.

Article prepared and provided by Ben Thompson, R&D Tax Manager, Treadstone, 10/50 Market St Melbourne T -0402 351 915.

A KEY TO YOUR BUSINESS – UNLOCKING ADDITIONAL VALUE

Brad Purvis B.Bus (Acc), CPA, CTA - Director -Duncan Dovico

We regularly talk with our clients about the virtues of working on their business, not in it.

Working to a greater degree on the business, coupled with creating smarter operating systems and controls, can often unlock additional business value.

For many smaller sized businesses the thought of having the owners spending less time in the day to day operations is sometimes daunting, and in some situations is not a feasible option.

However it is worth exploring what you may be missing out on by not exploring this concept and strategy.

How does this impact on me?
When selling a business you are often confronted with the classic position.

Buyers of businesses are looking to maximise the return they achieve on the dollars invested, and they usually want to pay the lowest possible price. Sellers want to maximise the return on their investment and the years of blood sweat and tears and seek the highest possible amount for the business they sell.

When business owners remove themselves from a large part of the day to day operations, and the business continues to operate successfully and profitably, it indicates that the business has superior controls, systems and personnel in place , allowing it to operate much like a well run machine.

The owners are then in a position where their business and its day to day operations are largely automated. It is in this situation that the term "turn key" is derived.

As a consequence, when positioning for a sale, a larger degree of the risk associated with the exit of the current owner is also lowered in the eyes of a purchaser.

Why is my business potentially then worth more?
A greater multiple of the maintainable earnings is likely to apply to a business functioning in this manner and therefore a higher value is placed on that business.

Potential buyers will consider this business as being more valuable than the competitors, whose operations may still be more reliant on the owner/operator.

Under the "turn key "model, the buyer can also focus more on upside enhancements to the business. This may include reviewing key products/offerings, service delivery levels, and marketing opportunities.

What are some of the things I can do to assist in working more on my business and less in it?
At Duncan Dovico, our team of experienced Accountants & Business Advisors' can assist our clients by starting with a review of some of the key areas of the operation.

We can work with you to develop a smarter business model and business plan to minimise the time you spend in the business.

These key areas include a review of personnel and talent pool, systems, operational rule books and manuals, "how to" guides, databases and marketing plans, customer lists ("80-20 rule"), accounting controls and management practices, workplace policy, productivity and efficiency modelling and a review of products, margins and a profitability analysis.

If I am interested in creating further value in my business who should I contact?
For further details and information specific to this concept and a range of business improvement strategies contact George Zarpalas, Brad Purvis, Michael Huntington, Amanda Castricum or Vin Crowe on 1300 883 122.

DEATH AND TAXES – PLANNING FOR THE INEVITABLE

Benjamin Franklin wrote in a letter to French scientist Jean-Baptiste Leroy in 1789 that 'Nothing is certain except death and taxes'. In response to this famous line it has also often been said that 'while death and taxes may be certain, at least we don't have to die every year'. And so it is, an income year in which a taxpayer dies is the only year in which both of Franklin's predictions will come true.

So, as unsavoury as it may seem, the question has to be asked - what are the tax consequences of dying? The answer to that question depends mostly on what the deceased owned (or thought themselves as owning) when they died, such as:

- Their home
- Assets such as shares and/or investment properties held in the deceased's own name;
- Assets held jointly with a spouse such as a holiday house
- The deceased's superannuation balance
- Assets held in a family trust, perhaps a business

The application of the CGT main residence exemption to the deceased's home is complex, but the general rule is that a full exemption will be available provided the person who inherits the house sells it within two years of the deceased's death (unless they move into it and make it their own home, in which case they can take longer than two years to sell).

The good news about assets that would have triggered CGT had the deceased sold them, or otherwise disposed of them before they died (like shares or investment properties), is that CGT will not be payable when those assets are passed on to the beneficiaries of the deceased's estate. The bad news is that the person who inherited the assets will be required to pay CGT on any increase in the value of those assets that happened while the deceased owned them. And if the assets were pre-CGT in the hands of the deceased, they will be brought into the CGT net when they change hands following the deceased's death.

The deceased's share of an asset they held jointly with their spouse (or with anyone else for that matter) will automatically pass to the spouse, regardless of what the deceased's will says. There will be no CGT consequences at this time, but the surviving spouse will unfortunately be on the hook for CGT on the entire property if and when they choose to sell. Of course, the CGT main residence exemption needs to be considered (refer above) if the jointly owned asset was the home of the deceased and their spouse.

The deceased's superannuation does not form part of their deceased estate, and cannot be dealt with in the deceased's Will. Again, the rules are complex, but can be encapsulated as follows:

- Lump sum payments to dependants of the deceased (includes the deceased's spouse and children under 18) are tax-free
- Lump sum payments to non-dependants of the deceased (includes children of the deceased who are over 18) are taxed (at least in part) at 15%
- Death benefits paid from a superannuation fund in the form of an income stream (which the superannuation rules state can only be done where the recipient is a dependant of the deceased) are taxed differently depending on the age of the deceased and/or the beneficiary – they will generally be tax-free if either the deceased or the beneficiary are at least 60 years of age, but if both of them are below the age of 60 the recipient will pay tax on the income stream at 15%
- The Government has announced its plans to change the rules to ensure that no CGT is payable by the superannuation fund when it sells assets after the death of the deceased to fund the payment of death benefits
- Assets held in a family trust are not strictly owned by the deceased, and therefore do not change hands for tax purposes when the deceased dies. This is one of the reasons for the popularity of discretionary trusts as estate planning vehicles.

It is a truism in tax that the more complex the rules, the more opportunities for tax minimisation exist and the greater the need to plan. Unfortunately this is no less true when it comes to estate planning, even though one's own death is the kind of thing we least want to plan for. But life will be much easier, and cheaper, for those left behind if you undertake that planning, with the help of your accountant, sooner rather than later.

For assistance with planning and dealing with the tax consequences of estate matters contact Richard Russell at our office on 1300 883 122.

Article Prepared and provided by Practising Tax. Providers of specialist tax information and training. ***P*** *03 9815 2998* ***E*** *enquiries@practisingtax.com.au* ***W*** *www.practisingtax.com.au*

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ARE YOUR BUSINESS PARTNERSHIP & SHAREHOLDER AGREEMENTS IN ORDER?

Take 2 Minutes to review these scenarios...

Scenario One... but I need to move

Scenario: Rob, Adam and Angie have been in business together for 15 years. Adam needs to move interstate to look after his ill parents. He has had a look at the partnership agreement they all signed ten years ago.

What's the issue? To Adam's surprise, as the departing partner, the partnership agreement only confers obligations on him and not rights. He has to first offer to sell his share to Rob and Angie but they do not have to buy it. ... and finding another buyer is not always easy - especially if they will only have a minority share.

Solution: Unfortunately most partnership agreements only contain this first right of refusal. Make sure your agreement has secure exit options for all parties.

Scenario Two... not an equal input

Scenario: Rob had bowel cancer 18m ago and is now in remission. However he now only works part-time.

What's the issue? Rob received $500K in trauma cover. His equity is worth $1m. Adam and Angie have been working extra hours ever since Rob was diagnosed but Rob is still entitled to a third share of the profit. What can Adam and Angie do?

Solution: Not much unless they have an agreement that allows them to force Rob out, albeit compensating him for his equity. If they do, and the agreement is drafted appropriately, they may be able to deduct the $500K trauma payment from the amount they owe him. That way Rob gets full value and Adam and Angie can get on with running the business.

Scenario Three... strange but true

Scenario: Steve contacted us saying he didn't think his partners wanted him in the business any more. When we asked why he thought that, he said they had moved the furniture out of his office and were using it for storage. Oh - and they were no longer talking to him.

What's the issue? Steve really doesn't want to be there any longer but can't force his partners to buy out his share.

Solution: Unless something can be negotiated Steve will not get his equity out of the business. Ideally the partners would have had a partnership or shareholder's agreement with appropriate 'exit options' that forced his partners to buy him out when he wanted to go.

For further information about your Business Partnership and Shareholder agreements contact George Zarpalas, Brad Purvis, Michael Huntington, Amanda Castricum or Vin Crowe on 1300 883 122.

LOOKING TO TRAVEL? CONSIDER ST PETERSBURG- IT MAY WELL BE THE RUSSIAN "JEWELL IN THE CROWN"

It's a long way north but worth the effort. St Petersburg, formerly known as Petrograd and Leningrad, is a city built on the river Neva. It is often described as the most western city of Russia. It houses many foreign consulates and financial institutions.

It is Russia's second largest city after Moscow, with a population of around 4.8 million and it is regarded as Russia's cultural centre. It's cultural prominence is due mainly to the imposing and magnificent Hermitage - a museum of art and culture founded by Catherine the Great in 1764 and has been open to the public since 1852. The collection spans some 3 million items, and has the largest collection of paintings in the world. Only a small portion of the collection is on display at any time.

Before going to the Hermitage it is worth viewing the film Russian Ark, filmed entirely in the Hermitage and in a single 96 minute shot. The film gives the viewer an idea of the grandeur, opulence and enormity of the collection. To see everything that the Hermitage has to offer is impossible unless you have 11 years to view every exhibit for just one minute. Homework beforehand is essential to ensure you are able to view the pieces you are interested in, or those that are a must see.

The Winter Palace and the main Museum Complex house works by Rubens, Rembrandt and Leonardo da Vinci. The modern art collection includes paintings by Matisse and Picasso.

Like most of Europe summer is the busiest visitor time in St Petersburg, resulting in long queues and crowded museums and galleries. But if you can tolerate some cooler weather then visit in October, when the countryside is full of gold and red colour and the crowds are considerably lighter.

St Petersburg has many other beautiful buildings, such as the Summer Palace with its Amber Room, and the Cathedral of Saint Peter and Saint Paul. Accommodation can be found at various levels, but for a step back in time, check out The Grand Hotel Europe or the Hotel Astoria - overlooking St Isaac's Cathedral.

St Petersburg is a long way north - but the journey and the destination make for a wonderful experience.

Article provided with our thanks from Annona Pearse, our Travelling Correspondent.