



Summer 2011 Newsletter

UPEs – Houston, we (might) have a problem

The Australian Tax Office (ATO) regularly releases “rulings” which set out the way in which it plans to interpret the law on taxation matters. Sometimes these rulings create a situation where a client’s affairs have been structured in accordance with the letter of the law, but then a ruling will change the landscape and advisors have to work out how to make the client’s affairs compliant – not dissimilar to when legal cases affect the interpretation of the law. This is what has happened in relation to unpaid present entitlements (“UPE”) since the ATO’s December 2009 ruling.

A UPE refers to the situation where a private company has received a distribution of profits according to the financial statements of a trust, but the physical monies have not been paid across. The ruling addresses the situation where such monies remain unpaid.

As the ATO sees it, the trustee is using the income, for effectively no cost, for trust purposes (effectively the family group behind the trust) and not for the benefit of its real owner. Accordingly this triggers Division 7A of the *Income Tax Assessment Act 1936*. This Division was added to the Act in 1998 to ensure that private companies were not able to make tax free distributions of profits to shareholders (or their associates) in the form of payments such as gifts or loans.

Many business owners have been caught up in this change. Fortunately PCM Tax Consulting has developed strategies to ensure our affected clients are compliant in the new landscape.

We should stress that of the clients who have been identified as being in danger, were horrified to learn that the potential tax liability was calculated in the tens of thousands and in some cases, hundreds of thousands of dollars!

All clients need to look at this issue very seriously and you need to do it now!



Merry Christmas from all at PCM

From everybody at PCM we wish you all a very merry Christmas and a safe and prosperous new year.

Our office will be closed from Friday 24th December and will reopen on Tuesday 4th January 2011.

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Feature Client : Aquastyle Swim School

In Australia, accidental death by drowning is the number one killer of children between the age of 0 and 5*. At Aquastyle babies to teenagers learn water familiarization, water safety skills and formal swimming skills. Having met as competitive swimmers and having taught, trained and coached Australian Age Group Champions, Aquastyle's leaders have applied their philosophies and passion to their learn to swim program. Having so many past students wanting to come and teach at Aquastyle tells us that the experience children have from their time at Aquastyle has been a positive one.

Our clients Andrew and Dianne Gilchrist have two locations:

5 Mill Park Drive, Mill Park 9404 2266

5 Development Blvd, Mill Park 9436 5841

Pre-schoolers	Monday to Friday	9.30am to 1.00pm
After school	Monday to Friday	4.00pm to 8.00pm
Saturday		8.30am to 1.00pm



Learning to swim – An asset for Life!

* Australian Bureau of Statistics

Important Notice

Once you have provided us with an electronic file of your records for a certain period, it's critical that you don't then make changes to your version within the period in question. Frequent issues arise when clients make changes which result in the totals of certain accounts altering, which then means our balances don't match up next time we work on the file. This results in additional work on clients' files to balance the accounts again, which could have been avoided and for which we need to charge. If you need to make changes in a period that has already closed, please give us a call so we can tell you how to treat the transaction.



Christmas Recipe

Christmas Coleslaw

Ingredients (serves 10)

1/4 (400g) red cabbage, finely shredded
 1 large red capsicum, thinly sliced
 1 small red onion, halved, thinly sliced
 120g snow pea sprouts, trimmed

Method

1. Make dressing: Whisk sour cream, orange juice, ginger and poppy seeds in a bowl until well combined. Season with salt and pepper.
2. Combine cabbage, capsicum, onion and snow pea sprouts in a large bowl. Add dressing. Toss well to combine.

Source: taste.com.au

Creamy orange poppy seed dressing

1/2 cup light sour cream
 1/2 cup orange juice
 2cm piece ginger, peeled, finely grated
 2 teaspoons poppy seeds

Learn the Lingo

Industries such as ours are clogged with terminology which clients often find confusing and intimidating. We thought it might be useful to teach you about some terms you've probably heard around the traps but may not necessarily understand. So, here goes:

Balance Sheet – A snapshot of the accounting records of assets (something that has a future economic benefit), liabilities (obligations that have arisen from past events) and equity (the owners' interest in the business) at a particular time, for example 30 June 2010. It may not be an accurate representation of what a business is worth because not all of the business's items of value may be recorded there, for example goodwill.

Profit and Loss Statement – A statement that summarises the difference between the revenue and expenses within a certain period.

Constitution – Formerly called the Articles of Association, this document is issued when a company is formed and contains the rights and duties of shareholders and directors and the relationship between one class of shareholder and other. In other words, it's a company's "rule book" and sometimes these documents need to be updated as the law or the nature of the company changes. This is particularly relevant for trustees of superannuation funds, where the law continually changes and the documentation needs to be kept current.

Bear market – A term used to describe a pessimistic state of affairs at a stock exchange. The opposite to a "bull market" where the outlook is optimistic.

Break-even analysis – Where projected sales are compared to projected costs to determine the level of volume required before the scenario becomes profitable. For example a manufacturer may need to sell 578 tennis rackets to cover costs then profit is made on each unit from the 579th racket onwards.

Capital gain – the increased market value of an asset.

Closing stock – the stock/inventory remaining in an enterprise at the date of the balance sheet.

Cost-benefit analysis – an analysis of the costs and benefits of particular projects; often used to choose one project over another.

From our perspective, the more our clients understand the better, as this encourages greater involvement in the monitoring of their business activities for better clarity and improved performance.

Strategy not Product

Far too often, financial planning is confused with the provision of one product over another. At PCM we see financial planning as much more about strategy and much less about the product/s we use in delivering the strategy. We get a real kick out of helping our clients, for instance we recently undertook some planning for some existing clients of ours. They were typical small business people. Business was good, so good that they had been too busy to consider their personal goals and objectives. They finally committed some time and after some strategic planning we were able to achieve the following:

1. Commenced a new self managed superannuation fund.
2. Transferred their numerous superannuation holdings into the new fund.
3. Added appropriate personal insurances to the fund including income protection, Life and disability insurances.
4. Put in place an investment strategy for the fund which included buying an investment property using borrowing, and also some other investments.

Our clients now have all their super in one place. They have protected their family and livelihood with the right level of personal insurance and they have an investment strategy they understand and believe in. The financial products we used were incidental in the overall strategic plan and as you can see there are real tangible benefits when you engage a professional to help you use the strategies available.

Why not make a New Years resolution early and book a meeting with our in house financial planner Shaun Thatcher and get your 2011 off to a flying start!

Meet our Team Member - Jacky Fitzpatrick

Jacky Fitzpatrick has been working in the Financial Planning / Funds Management industry for over 20 years and has been with PCM for three and a half years, working alongside our financial planner, Shaun Thatcher.

Jacky married her childhood sweetheart Mark and they recently celebrated 20 years of marriage.

Her two sons Alex and Nathan keep her very busy on the weekends, being a taxi

driver and their own personal cheer squad for their many sporting activities.

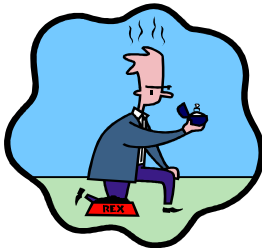
When Jacky does get a break from all that driving she enjoys cooking, reading a good book and correctly tipping and winning the PCM Footy Tipping Competition this year!



The Fitzpatrick Family
Jacky, Alex, Nathan & Mark

Community Involvement

On 22 November Sheridan Honey spent the day working with other business mentors to teach year 11 students about aspects of running a fictitious business. The students worked in teams and had to make critical decisions in areas such as leadership, marketing and operations under the guidance of their mentor.



Engagement News

Congratulations to Ross Brown on his engagement to his long time partner Eboni.

Thinking of you....

We wish Garry Purchase all the very best with his January operation to fix a small health issue.

New Email Address

Please note our new email address for clients as follows :

clients@pcmaccountants.com.au

Christmas Cheer

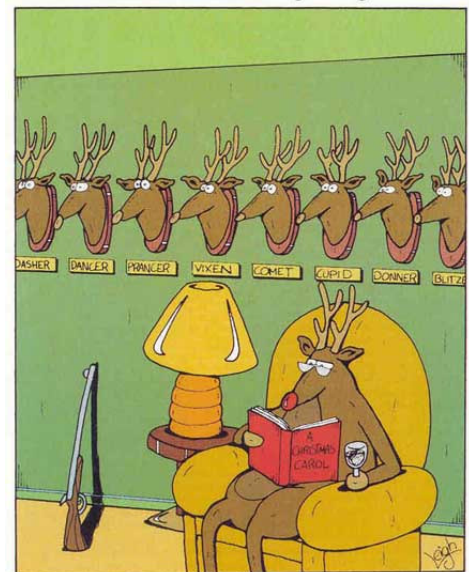
What do snowmen eat for breakfast?
Snowflakes

What do you get when you cross a snowman with a vampire?
Frostbite

Why does Santa have three gardens?
So he can Ho-Ho-Ho



Rubes® By Leigh Rubin



All of the other reindeer used to laugh and call him names.

(c) 2004 Leigh Rubin