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Quotes of the day:

"The brain is a wonderful organ. It starts working the moment you get up in the morning, and does not stop until you get into the office."

Robert Frost

"The problem is not that there are problems. The problem is expecting otherwise and thinking that having problems is a problem."

Theodore Rubin

Trust Taxes

Submission of the trust tax reports for the years 2006 and 2007 (and 2008) have been postponed from 31st December 2008 to 30th June 2009. In addition, the Tax authorities have under-taken to publish guidelines on trust reporting. This announcement also indicated that no interest will be charged on trust tax debts for 2006 and 2007 for the period through June 30, 2008.

Improving Our Services

We express our gratitude to clients for consistently referring new clients to us. However, in order to continue to improve our services to you, we need your input. Any idea or suggestion will be appreciated. And we'd like to hear what services from your accountant are important to you.

Happiness is a Positive Cash Flow

When I was in college, I read a book called *And the Wolf Finally Came: The Decline of the American Steel Industry* by John P. Hoerr.

This book tells of an embroidered pillow in the corporate raider T. Boone Pickens' office that read, "Happiness is a Positive Cash Flow".

At the time, I didn't really grasp the significance of this sentence (like a lot of other things I learned in business school). After many years of small business operations and financial management experience, I have gained a deep respect for the wisdom in the saying.

Cash flow is different from income.

Income is the difference between sales revenue (collected and uncollected) less expenses (paid and unpaid). You can make a million dollars in income and still end up bankrupt if you aren't able to collect the cash from customers after the sales.

Cash flow, on the other hand, is the difference between the actual cash a company receives from customers less the cash actually paid for expenses (payroll, vendors, taxes, etc.).

Analyzing and managing cash flow is particularly important to small businesses because there is such small margin for error when cash flow is tight or negative. (from S. Justice - The Virtual CEO)

Year-End Tax Tips

Some tax-reducing thoughts still for 2008:

1. Review inventory closely, with a view particularly for dead or obsolete items - will reduce closing inventory and taxable income.
2. Check your 2007 asset/depreciation schedules for items no longer in use or obsolete; these may be fully depreciated in 2008 if the above applies.
3. Capital gains may be reduced by realized capital losses; assets/investments that reflect paper losses, and are unlikely to rise in value in the very near future, may be suitable 'candidates'.
4. Similarly, capital losses on securities arising in 2008 may be offset with income from dividends and interest on bonds received in 2008. This includes dividends from private companies.
5. Recognition for charitable contributions require Section 46 approval and must be made (and receipted) before December 31.
6. Give close attention to expenses that may be deductible - business and investment.

Forget-Me-Nots for 2009

- Annual payroll reports (Form 0126) by April 30th.
- Annual withholding tax reports (Forms 856, 857, etc.) on payments to sub-contractors, suppliers of services, rental of premises, interest, etc. - by April 30th.
- 10% tax 'route' on residential income for 2008 to be reported and paid by January 30th.
- Annual Amutah licence fee (to Registrar of Amutot) - payable by March 31st.
- Annual company and registered partnership licence renewal fees - payable by the end of February; non receipt of renewal vouchers does not exempt you from timely payment. Payment may also be expedited on the Internet.
- Interest and linkage on tax debts - not charged (on 2008 debts) if paid by January 31.

Staying on Top of the Recession

- Retain cautious optimism;
- Develop creative and aggressive marketing strategies;
- Monitor budgets very closely and continuously (and you should have a budget);
- Discard any 'wait and see' or 'put on hold' approaches to running your business or practice;
- Re-think your business or practice - e.g., what exactly are you selling, and what do your clients/customers/patients really want;

- Think and act positive, no matter how difficult; the business world does not tolerate negative signals! Nor do customer or clients.

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What is a 'Proper Receipt' for Donations?

The Income Tax credits granted on charitable contributions are subject to the submission of proper receipts.

"Proper Receipts" are defined in the Internal Directive 3/2001 of the Tax Authority:

- a. Originals. (A recent directive from the Tax authority facilitates the use of a certified copy of the receipt, together with a declaration by the taxpayer that the tax credit thereon will only be claimed once.)
- b. "Donation" printed on receipt (distinct from where service/benefit provided).
- c. Note - "The institution has Income Tax approval for donations"
- d. Details of organization - name and registration number.
- e. Method of payment - cash, cheque, credit card, stop-order.
- f. Date of maturity.
- g. Name of taxpayer/donor.

Wills and Estate Planning

Since this topic is not accorded the attention it deserves, may we once again stress the importance, in planning your personal affairs, of periodic review of your last will and testament, and giving thought to the manner in which you have planned your investments, life insurance and cash resources, bearing in mind the needs of your family.

Reviewing the Business Structure

Clients should periodically review their choice of business entity, namely sole proprietorship, limited or unlimited partnership, regular or family/transparent company. Factors to consider include changes in tax or other laws, and business changes (such as new products or services, changes in ownership or location). Choice of entity must recognise that a structure that has served well in the past may no longer do so, as a result of change.

Healthy Bodies and Healthy Minds - Reminder!

Ah, those old, wise clichés! Now, since when is the client's state of health a matter to be reviewed with accountants? Well, we never did regard ourselves as just another firm of CPA's! Furthermore, there just seem to be too many clients who may take good care of their businesses or practices, but not of themselves. So here we are to encourage exercise, relaxation (and vacations), correct eating habits and lots of common sense. This is meant seriously!

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Is the Global Economic Crisis Creating an E-Commerce Opportunity?

The situation, at least in one industry, is at least as good as it was last year - E-Commerce.

The e-commerce sales performance during the first days of December was higher than it was during the same period of last year. To clarify on e-commerce, stats for total visitors have grown by +9% October, +10% October, +11% November, and tracking for +15% December.

Consumers are controlling their spending, and are shifting some of this spending online. They also see the Internet as a time-saving convenience and a way to comparison-shop to ensure the lowest price. [**Raymond Chazan, Executive Accounts Manager, BigDesign, Jerusalem**]



Chanukah Sameach!