



Options
a service for contractors

Prepared by:

CXC Australasia Pty Ltd trading as CXC GLOBAL

ABN 30 125 263 149

CXC Global Headquarters

Suite 218
CXC Lifestyle Working Centre
117 Old Pittwater Road
Brookvale NSW 2100
Australia

Postal:

PO Box 7217
Warringah Mall
Brookvale NSW 2100
Australia
Phone: +61 2 9474 1200
Fax: +61 2 9474 1229
Timesheets fax: +61 2 9034 4560
Email: nswsales@cxcglobal.com.au

Australian offices

CXC Global ACT

Suite 35 Fyshwick Plaza
59 Wollongong Street
Fyshwick ACT 2609
PO Box 1295,
Fyshwick ACT 2609
Australia
Phone: +61 2 6163 0000
Fax: +61 2 6163 0099
Email: chris.perry@cxcglobal.com.au

CXC Global NSW

Sales

Suite 201
Level 2 70 Pitt Street
Sydney NSW 2000
Phone: +61 2 8197 3074
Fax: +61 2 9034 4577
Email: nswsales@cxcglobal.com.au

Administration

Suite 218
CXC Lifestyle Working Centre
117 Old Pittwater Road
Brookvale NSW 2100q
Phone: +61 2 9474 1200
Fax: +61 2 9474 1229
Email: info@cxcglobal.com.au

CXC Global QLD

Level 11 Morris Towers
149 Wickham Terrace
Brisbane QLD 4000
Phone: +61 7 3166 9858
Fax: +61 7 3832 7311
Email: qldsales@cxcglobal.com.au

CXC Global SA

PO Box 374
Rundle Mall
Adelaide SA 5000
Australia
Phone: +61 8 8365 7137
Fax: +61 2 6163 0099
Email: chris.perry@cxcglobal.com.au

CXC Global VIC

Suite 1312
Level 13 Exchange Tower
530 Little Collins Street
Melbourne VIC 3000
Australia
Phone: +61 3 9017 4100
Fax: +61 3 9909 7946
Email: marie.thomson@cxcglobal.com.au

CXC Global WA

Suite 13
Level 4, 231 Adelaide Terrace
Perth WA 6000
Australia
Phone: +61 8 9218 8922
Fax: +61 8 9218 8755
Email: jeff.malin@cxcglobal.com.au

International offices**China**

CXC Global
6FI Apollo Business Centre
1440 Yan an Rd (M)
Shanghai 200040
Peoples Republic of China
Phone: +86 21 6441 1999 ext 22
Fax: +86 21 6426 1261
Email: china@cxcglobal.com

Dubai

CXC Global
Suite 33-39, 65 London Wall
London
EC2M 5TU
UK
Phone: +44 207 374 6957
Fax: +44 207 374 6987
Email: info@cxcglobal.co.uk
Web: www.cxcglobal.co.uk

Germany

CXC Germany GmbH
Zur Wanne 17
88239 Wangen i.Allg.
Germany
Phone: +49 7522 930 24 85
Fax: +49 3222 128 66 22
Email: tanja.kulmus@cxcglobal.de
Web: www.cxcglobal.de

Hong Kong

P.O. Box No.5148
General Post Office
Hong Kong
Phone: +852 9763 0067
Email: sharon@cxcglobal.com

India

CXC Consultants Private Limited
609 and 610, Level 6, Block C, Kelana Square
17, Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Phone: +60 3 7880 1620
H.P: +60 1 2677 8116
Mob: +61 449 229402
Email: dave.thomas@cxcglobal.com

Ireland

CXC Consultants Exchange
Cork Airport Business Park
Cork
Ireland
Phone: +353 21 483 9339
Fax: +353 21 238 0198
Email: Michael@cxcglobal.ie
Web: www.cxcglobal.ie

CXC Consultants Exchange
28 Merrion Square
Dublin
Ireland
Phone: +353 1 611 0707
Fax: +353 1 481 1594
Email: michael@cxcglobal.ie
Web: www.cxcglobal.ie

Isle of Man

CXC Global
c/o 7 Hill Street
Douglas
Isle of Man IM1 1EF
Phone: +44 207 908 1989
Email: sales@cxcuk.co.uk

Malaysia

CXC Global
609 and 610, Level 6, Block C, Kelana Square
17, Jalan SS7/26, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia
Phone: +60 3 7880 1620
H.P: +60 1 2677 8116
Mob: +61 449 229402
Email: lisa.whitfield@cxcglobal.com

Malta

Hawk Global Consulting Limited
Email: dave.thomas@cxcglobal.com

Netherlands

CXC Global
Dorpsweg 3
3738C Maartensdijk
Netherlands
Phone: +44 207 374 6957
Fax: +44 207 374 6987
Email: info@cxcglobal.co.uk
Web: www.cxcglobal.co.uk

New Zealand

CXC Global
Suite 5E, 17 Albert Street
Auckland CBD
0600
New Zealand
Phone: +64 9 358 4130
Fax: +64 9 353 1981
Email: kirsty@cxcglobal.com
Web: nz.cxcglobal.com

CXC Global
Wellington
New Zealand
Phone: +64 21 274 4455
Web: nz.cxcglobal.com

Philippines

CXC Global (Phils.) Corporation
1737-H Dian corner Dayap Street
Palanan
Makati City 1235
Philippines
Phone: +63 2 556 2779
Fax: +63 2 556 4366
Email: rosanna@cxcglobal.com, cxcglobalphil@yahoo.com

Singapore

CXC Global
121 Telok Ayer St
#02-01
Singapore 068590
Singapore
Phone: +65 6423 4631
Email: michael.mostert@cxcglobal.com.au

South Africa

CXC Global
PO Box 501
Hilton
3245
South Africa
Phone: +27 828 752 384
Email: christine@cxcglobal.com

Sweden

CXC Global
Korphoppgatan 28
Stockholm
12065
Sweden
Phone: +46 706 808 536
Email: [daran@cxc.se](mailto: daran@cxc.se)

United Kingdom

Sales Office
Suite 33-39, 65 London Wall
London
EC2M 5TU
UK
Phone: +44 207 374 6957
Fax: +44 207 374 6987
Email: [info@cxcglobal.co.uk](mailto: info@cxcglobal.co.uk)
Web: [www.cxcglobal.co.uk](http: www.cxcglobal.co.uk)

United States of America

Consultants Exchange USA, Inc.
Suite 200 11715 SE 5th Street
Bellevue, WA USA 98005
Phone: +1 206 230 0133
Fax: +1 206 686 6780
Email: [Seattle@cxcusa.com](mailto: Seattle@cxcusa.com)
Web: [www.cxcusa.com](http: www.cxcusa.com)

CXC Consultants Exchange
Suite 2450 101 California Street
San Francisco, CA USA 94111
Email: [SanFrancisco@cxcusa.com](mailto: SanFrancisco@cxcusa.com)
Web: [www.cxcusa.com](http: www.cxcusa.com)

CXC Consultants Exchange
Level 2 770 Broadway
New York, NY USA 10003
Email: [NewYork@cxcusa.com](mailto: NewYork@cxcusa.com)
Web: [www.cxcusa.com](http: www.cxcusa.com)

Contracting in Australia? Thinking of going overseas?

If you are contracting in Australia or overseas, or thinking of doing so... why not work through a **management company** to maximise income and improve your lifestyle?

What is the purpose of a management company?

- To provide a legal company structure for contractors, local and international
- To provide required insurance at best price
- To provide guidance as to the most suitable personal tax options available
- To ensure maximum tax savings
- To ensure maximum cash in hand
- To provide total flexibility and legitimate wealth generation
- To maximise superannuation benefits
- To minimise paperwork and administration
- To minimise risk and statutory obligations

The **Australian Tax Office's Alienation of Personal Services Income Act 2000 (APSI)** *has effectively reduced the number of individual contractors* who earn the bulk of the company's income through personal exertion structures. The main purpose behind the APSI Act is to force contractors to pay maximum taxes under the PAYG tax system.

We are able to minimise administration and maximise income, through well managed salary packaging principles, as well as provide workers compensation cover, public liability insurance and tax return submission for one low fee which is invariably covered by tax savings.

A legal and superior service to our members !

Other major benefits of working with a management company are:

- Company is managed by accountants
- No directors liabilities
- No statutory returns and/or obligations
- Minimised paperwork for contractor
- No start up costs
- Managed cash flow
- Expected increase of disposable cash
- Reimbursement of tax allowable expenses
- Capitalisation of equipment purchases
- Payment in most countries and/or currencies
- Legal minimisation of tax to suit *your* personal circumstances
- Workers Compensation and Public Liability Insurance covered
- Professional Indemnity if required
- All business costs are tax deductible
- Co-operative skill sharing and representation
- Wholesale superannuation and strategic investment options
- A range of member benefits and discounts through the CXC Global Loyalty Programme.
- ACS membership or an alternate Professional Membership related to your field funded to provide discounted training options and other benefits

Introduction to CXC Global

CXC Australasia Pty Ltd (**CXC Global**) provides administration and accounting services to companies and individuals on a fee basis. **CXC Global** has established an infrastructure to assist with administration to those independent persons who offer their services as freelance contractors to commerce, industry and Government.

CXC Global acts on its own behalf, and uses the services of other service providers like King Financial Group, Gillard & Co Chartered Accountants, Enlist Novated Leasing and Harwood Andrews where required. Our business is based on honesty and integrity. **CXC Global** *does not* pay any commissions for business received, thus keeping our fees to a minimum.

Our objectives are to take care of the accounting, business records, and any statutory and legal requirements for contractors and to give them the most suitable **options** on how they are paid, whilst they get on with that which they do best, namely providing specialised services to industry.

Why consider using a management company?

There are many areas where the thousands of pages of tax law are difficult and confusing, and it is an area best dealt with by specialist accountants. Each to his or her own area of specialisation.

Our Charter

To provide comprehensive administration and accounting services to contract workers, striving to eliminate administration to the benefit of both the contract workers and the clients they serve.

At Consultants Exchange we specialise in paying contractors. This is our only business. We pride ourselves on doing it well and to the best advantage for contractors within the legal limits of the countries that we operate within. We are able to provide the most cost effective, and tax effective structure to contract under in Australia, UK, Holland, South Africa, Canada, Hong Kong, NZ and USA.

Background

Self-employed are under renewed attack from the taxman.

Ever since the successful decision in favour of the Taxation Office in the Tupicoff Case of 1984, the Taxation Office has mounted a more and more vigorous attack on the "bonafides" of self-employed persons.

The Australian Tax Office (ATO) has spent considerable time and effort in attempting to classify Commissions as Salary and Wages in the case referred to as the World Book Encyclopaedia case or Maiden Case. It is a very significant case for all non-incorporated contractors and/or commission sales personnel. This particular case is concerned with the issue of whether or not Bruce Maiden, a salesman for World Book, is an employee, as a result of receiving commission from the company. The Taxation Department is arguing that Maiden is effectively an employee, and thus World Book should have deducted PAYG tax from the commission. The first hearing of this case, in a local NSW Court, found Maiden to be neither an employee nor "under a contract", either of which would subject him to PAYG tax.

This Ruling was then appealed against by the Tax Office, and won in the Supreme Court. World Book counter-appealed in the Court of Appeals, and the decision was reversed. The Tax Office then lodged an application for leave to appeal to the High Court, but this was refused, so in a sense the case is over, and the ATO lost.

However, the Commissioner has already stated that he has asked the Government to amend the Tax Act to widen the definition of "Salary and Wages" to cover a whole range of payments to sole traders, independent contractors who supply only or mainly services and commission agents.

The World Book Case is but one example of the recent crackdown by the Tax Department, aimed towards small to medium-sized businesses and the self-employed.

There is ever increasing pressure from the Tax Office to both increase their revenue base and improve their collection methods. High on their list of priorities are non-incorporated persons operating as contractors, sub-contractors, commission sales persons and other similar entities where the predominant purpose is "Wholly or Principally the Provision of Labour". Small-incorporated companies are included in the hit list.

In 1996, a series of new laws were planned to take effect in an attempt to eliminate 'contracting' as we know it. These laws have re-appeared as part of the ABN structure under the current GST legislation passed through parliament. There are countless articles on this topic, but they are all summarised by the following articles. The first was published in The Financial Monitor, the official magazine of the Australian Society of Certified Practising Accountants some years ago: ...

"An estimated 212,000 self-employed contractors, including many professionals who run their business as companies, could be affected by two measures the Treasurer said the Government planned to take in the next 12 months.

The measures are designed to block what Treasury officials describe as the 'leakage' from the PAYG tax system.

The government's first step will be to amend the definition of salary and wages.... to ensure that the PAYG provisions cover payments for the labour of an individual contractor which were always intended to be covered.

It will affect many contractors or subcontractors who now escape PAYG deductions on the payments they receive for their labour-based services.

The Tax Office says the target group of contractors are generally those who provide their own services to one organisation, but cannot be defined as an 'employee' under the master and servant test. ...The loophole the government intends to close stems from a court decision known as the World Book case, which found that contractors engaged to sell encyclopaedias on commission were not employees.

The second small business measure signaled by the Government in the Budget relates to a suspected widening trend by individuals to form companies, partnerships and family trusts through which they provide 'employee-like' personal services and split the income with family members to reduce the overall tax liability.

This activity is described as 'alienation of personal services income through the use of an interposed entity'. Tax Office officials say the practice is most widespread among professional service providers such as computer programmers, engineers and management consultants who set up companies, partnerships or trusts through which they sell their personal exertion services to just one client, often a former employer, or just a few clients. Typically, the whole of the income of the company or trust is derived solely from the personal efforts of the individual.

The Government plans a two-stage process to tighten controls and force these people back into the PAYG system....

A study conducted for the Tax Office with the assistance of the Australian Bureau of Statistics found that 212,400 self-employed contractors, and professionals operating through companies and trusts, had just one employer. This represented 38.3 percent of Australia's 553,900 self-employed contractors in non-agricultural work.

"The Government's objective is to ensure that the appropriate tax is payable by the individual taxpayers on income which is clearly derived from personal services provided by the individual' the Treasurer said in his Budget statement."

Source: The Financial Monitor (Issue 2 volume 4)

"Taxman has sights on 75,000 cheats"

"Once again, the ATO is after the small contracting companies. They claim that there are 75,000 taxpayers that are costing the country millions in PAYG taxes by claiming that they are self-employed. Some 5,000 of the 1996 tax returns will be bounced, and 65,000 1996/7 returns will be targeted for audit. Many tax agents will be "warned" in an attempt to have them police their clients.

An internal ATO paper claims that this practice is widespread in most trades and professions. There has been a worrying rise in people who are moving out of the PAYG tax system to receive payment through a company, trust or partnership. Revenue is lost through lower tax payments, lower superannuation contributions, and higher welfare payments. Companies also save on FBT, payroll tax and workers compensation (not to mention administration costs) by employing contractors."

Source: The Sydney Morning Herald (19th August 1997) reported by Diane Stott in Canberra

"Tax trap set to catch small companies"

"A withholding tax of 48.5 per cent will be levied on individuals working as contractors who fail to pass an 'enterprise test' under legislation being developed by the Federal Government. The move targets the growth of 'personal service companies' which is an issue that has been raised in negotiations over the GST package....

...Following pressure from the Australian Democrats, the Government agrees to refer the growing number of building workers, cleaners, computer programmers and consultants who are opting out of the PAYG system to the Review of Business Tax (RBT) chaired by Mr. John Ralph.

... Meanwhile, under the new Australian Business Number (ABN) system, companies established by former PAYG employees will face intense scrutiny.... The Tax Office will apply an 'enterprise test' when it issues ABN's, andentities that do not have an ABN will be taxed at the top marginal rate. (48.5%)

...The withholding tax will apply to payments that do not have an attached ABN

Source: Australian Financial Review (2nd June 1999) article by Paul Cleary

"Contractors hit in tax crackdown"

FEDERAL tax changes targeting contractors are likely to increase employment churn in the IT&T industry and affect long-term projects, tax experts have warned. Industry leaders have voiced concern that the changes will act as a disincentive to contractors, who make up about 60 per cent of the sector. Under the reforms, contractors may be prevented from using company status to reduce their tax burden from July 1, 2000. Contractors who get 80 per cent of their income from one source in an "employee-like manner" will pay tax at the personal income rate of up to 48.5 per cent. Deloitte Touche Tohmatsu technology group partner Jim Morrison said this would encourage contractors to change jobs more regularly, or link up in umbrella companies to get around the legislation. "It will cause problems within the industry because of the things people will have to do to circumvent the legislation," Mr Morrison said.

"The taxman has the IT contracting industry squarely in his sights," PriceWaterhouseCoopers tax partner Paul Brassil said. "The 80 per cent test is only one of the tests. Even if less than 80 per cent of your income comes from one source - say you had two people you provided services to - if you are doing it in an employee-like manner you are still going to be affected by these rules."

... Australian Computer Society (ACS) President Prins Ralston said there were fears the tax changes would have a strong impact "It will certainly create a disincentive for contractors," he said. "The more disincentives we create for these people to stay and work in Australia the more likely they are to go to other markets where there aren't these restrictions."

The Australian Information Industry Association (AIIA) would also canvass members "There are already avoidance provisions in place in relation to payroll tax, so you can't just call yourself a company if you are an employee," AIIA deputy executive director Rob Durie said.

Source: The Australian (16th November 1999) article by Jennifer Foreshow

Small contractor companies, where the bulk of the income is from the **personal exertion** of the director/shareholder, are being severely **disadvantaged**. The Alienation of Personal Services Income Act 2000 legislates states that if 80% of your income is from a single source, then you will be treated as a “Personal Services Entity” and this limits the expenses you are able to claim to less than those of a PAYG employee. If you are able to pass this test, you ALSO have to pass one of many other tests, namely the:

- Results Test
- Unrelated Client
- Employee Test or
- Separate Business premises test.

These tests are well drafted and will not allow evasion by simply joining with others.

There is no doubt that the situation is now more complex and the options for tax minimisation reduced. The ATO has closed the opportunity of individual contractors acting on their own. The “Enterprise Test” and the Personal Exertion tests will negate many personal exertion companies, if not in the first round, then in subsequent audits.

From Australian Tax Practice (ATP), GST Business Essentials by Peter Hill and Paul Stacey, Page 40, Chapter 2, “Can You Register for GST”, Paragraph [2080], Paragraph [2100].

[2 080] Enterprises and registration – The GST “Enterprise Test”

Enterprises

To be registered for GST you must be carrying on at least 1 “enterprise”. If your activities fall outside the concept of an “enterprise” you cannot be registered for GST.

[2 100] Enterprises and registration – Not Really an Independent Contractor

Individuals at risk of not being able to register for GST or obtain an ABN include “contractors” or “consultants” who are, in fact or at common law, “employees” of the recipients of their services.

Unless the ATO is satisfied that an individual’s enterprise is not being carried on in the capacity of an “employee”, GST registration will not be granted.

At **CXC Global** we will ensure that all our activities are legal and within the limits of what can be reasonably justified. It is our intent to be in business for a long time and we have full time senior accountants studying the legislation daily. We specialise *ONLY* in serving the contractor community. This is the comfort that we can offer our members.

Options - what suits you best?

➤ Option 1 Employee

Utilising option 1, the contractor becomes an employee of the agency and the employer deducts tax. This is not a very tax efficient way to work as the maximum that a PAYG taxpayer can claim in costs and expenses is approximately \$300 (without proof of payment and comprehensive record keeping). No agencies are able to “salary package” effectively.

Serious contractors seldom use the above option, as it negates many of the advantages of contracting.

➤ Option 2 Establish own company or partnership

Utilising option 2, tax is not deducted at source BUT if you work for only one organisation at a time, the ATO may rule that you are an employee and demand that the company pay them the tax owing

on the total amount billed. The new GST legislation is specifically targeted at breaking down this option. (Most contractors cannot meet the criteria set in the “Enterprise Test”, which is why they choose to work through a management company). Further, the introduction of the *Alienation of Personal Services Income Act 2000* removes any incentive for using your own company as a vehicle to work through. You may choose to use such a company as an investment company, but not for your personal exertion income. (See option 4 below).

This is no longer a viable option for personal services income under the current legislation.

Advantages:

- Paid gross of tax
- Limited deductions claimable e.g. advertising, insurance and 1 car

Disadvantages:

- At risk of structure being struck down in a tax audit
- Severe limitation on claimable expenses if ATO defines the company as an “entity”
- No FBT paid allowances, other than a single vehicle, i.e. NO LAFHA
- Cost of establishment (\$1500-\$2000)
- Annual administration costs and time (\$2000-\$4000)
- Costs are incurred even when not trading
- Annual and quarterly statutory returns
- Workers compensation insurance cost
- Public liability insurance cost
- Compliance to regulations
- Onerous directors liabilities
- Partners jointly and severally liable
- Unpaid holidays

➤ Option 3 Managed Structure *

Under the legislation current from July 2000 onwards, all personal exertion income needs to be earned through a “Personal Services BUSINESS” to allow any home office, telephones, postage, travel, air, car hire, parking, road tolls, equipment, self-education, books, stationery and other justifiable business expenses claims. To be classified as a “Personal Services BUSINESS”, numerous tests need to be passed, and most likely, a special determination from the ATO will be required.

An administration company needs to be structured to comply with all the requirements in the legislation, and to deal with the affairs of independent contractors in the most efficient manner. **CXC Global** have established such a structure, in conjunction with participating agencies, to facilitate this.

The contractor will sign the contracts with agencies and/or end users. The agency then authorises **CXC Global** to provide the required payroll and associated services. As a member of the **CXC Global** group, the contractor is still entitled to the member benefits offered to the **CXC Global** group.

All of the advantages and few of the disadvantages of your own company structure apply plus a range of *additional advantages*:

- ABN's and GST and Business Activity Statement is taken care of
- Tax is legally minimised through effective salary packaging **
- Paid net of tax, and all business expenses and FBT allowances are payable
- Statutory records and ledgers are prepared for you
- Public liability insurance and workers compensation are covered
- Starts and stops in employment do not incur costs
- No additional audit or accountancy fees payable
- You have no directors liabilities
- Unemployment benefits may be payable between contracts

➤ **Option 4 A combination of managed company and private company**

This option provides for setting up, or using an existing, private company whereby it is possible to separate personal exertion income from investment income to accumulate wealth and invest within the private company. The new *The Alienation of Personal Services Income Act 2000* prevents the offset of personal exertion income against losses from investments. There are many permutations of this, and each case needs to be individually discussed with an adviser outside of **CXC Global**.

** (Refer to the scenarios to evaluate the extent of the tax savings).

Types of management structures

Compliance with all the statutory regulations is a complex task. **CXC Global** provides several types of structures around the world. Overseas contractors may be able to benefit from one of these permutations, but must be aware that there may still be some tax implications in their primary country of tax residency when working overseas. It should be noted that in most countries you are liable for tax from day one (1) if your stay exceeds 183 days.

CXC Global is an entirely independent free-standing business, which employs numerous staff, has many unrelated clients, advertises its services to the public at large through it's internet presence and industry magazines, has its own office suite at Brookvale, Australia, as well as wholly owned and/or registered companies in:

- **Australia (Australian and overseas contractors working in Australia):** Salaries are packaged for participating agencies, subject to PAYG tax at source, eligible business expenditure is claimable throughout the year.
- **USA (USA citizens who have a tax free threshold, or citizens of other countries who wish to be paid in US dollars):** Since these companies are not required to deduct and remit Australian tax at source, the contractor is responsible for, and MUST set aside and pay Australian and other foreign country taxes as and when they fall due. **CXC Global** is able to assist in planning for the retention of these taxes if so required.
- **United Kingdom (UK and overseas contractors working in UK):** Contractors are treated as employees and/or shareholders, depending on the contract and applicability of the IR35 legislation, receiving a salary and dividends from U.K. registered companies.

- **Ireland and Isle of Man (Local and EU contractors working locally or outside of the UK):** Assist in tax planning and to provide effective salary packaging whilst working locally or any where in the European Union
- **South Africa (South African contractors working in S.Africa):** Assist in tax planning and securing overseas opportunities.

Case studies

Here follows two scenarios of an Australian and a non-resident, working at a rate of \$40 per hour as a normal PAYG employee versus working through a managed company.

Scenario 1:

Comparison of an **Australian** candidate who works 46 weeks p.a. with average expenses and a \$25,000 motor vehicle.

As self employed person the contractor can reduce their taxable income through justifiable business expenses and allowances, made up of, for example:

<i>FBT paid car allowance and super</i>	<i>Telephone and mobile</i>
<i>Income protection insurance (IPI)</i>	<i>Consumables /stationary/postage</i>
<i>Self-education, subs and books</i>	<i>Accounting fees and many others</i>
	<i>(see back of document for further examples)</i>

	<u>PAYG</u>	versus	<u>Managed co</u>
Gross weekly wage (Paid as wages, exp & voluntary super*)	\$2,400		\$2,400
<i>less tax & super</i>	<i>\$831 per week</i>		
<i>less tax, management fee & super</i>			\$702
Total earnings	\$1,568	versus net benefit	\$1,631
Tax rate	26.41%		18.27%

* There are several ways to achieve a personal wealth plan to suit your needs that can be discussed with outside advisors.

Scenario 2:

An international contractor **non-resident** who works 46 weeks p.a. with average expenses.

Again, as self employed person the contractor could make justifiable business expenses, made up of for example:

<i>Living expenses (Conditions apply)</i>	<i>Telephone and mobile</i>
<i>Income protection insurance</i>	<i>Consumables /stationary/postage</i>
<i>Self-education, subs and books</i>	<i>Accounting fees, travel, etc.</i>
<i>The work's through a managed company:</i>	

	<u>PAYG</u>	versus	<u>Managed co</u>
Gross weekly wage (Paid as wage, exp & living allow)	\$2400		\$2400
<i>less tax & super</i>	<i>\$945</i>		
<i>less tax, super & management fee</i>			\$672
Total earnings	\$1454	versus	\$1727
Tax rate	31.12%		18.24%

Note: Superannuation has been accounted for in these examples. These *savings are all net of the management fees charged*, i.e. no more to pay.

Choosing your option

We suggest that you discuss your own personal situation and the options available with **CXC Global** prior to accepting an offer from a prospective client or agency. You should inform the client or agency that you will be working through **CXC Global** and obtain a copy of their contract terms and conditions.

It is essential that the contract drawn up between the client or agency and yourself has certain legal clauses inserted to enable **CXC Global** to salary package for you.

Before you sign any such contract we suggest that you peruse it to ensure that the conditions and terms are reasonable and not too onerous plus legal and insurance requirements are met. You will be required to sign a contract with the client or agency to signify your acceptance.

In conclusion

Compliance to regulations in relation to companies in Australia is complex. There are a magnitude of compliance laws and we have to prepare accounts for four very different government departments each year, namely the Australian Taxation Office (ATO), Fringe Benefits Tax (FBT) statements, Office Bureau of Statistics and the Australian Securities & Investments Commission (ASIC) not to mention quarterly Business Activity Statement (BAS). **CXC Global** Options provides the ability to operate through a Personal Services Business structure which enables expense claims.

CXC Global provides a wide range of consulting services to an extensive range of end-users and recruitment companies. **CXC Global** is an entirely independent, free-standing business, with its own office premises. It offers individuals who wish to retain their self-employed status a perfect and legitimate methodology with which to do so. At the same time it provides a wide range of accounting and financial services and guidance, including preparation of annual statutory and income tax returns.

You will be consulted with and guided on the best combination to suit your personal needs prior to joining the organisation. You will also receive ongoing financial and accounting services and guidance, which includes all quarterly and annual returns. This removes the administrative worry, and leaves you free to do what you do best.

Albert Einstein *“The hardest thing in the world to understand is income tax”*.

Disclaimer: *This documentation is for your general information, and is not to be construed as advice. Clients should not act on the information contained herein alone, and should seek the advice of their accountants and lawyers.*

Consultants Exchange Australasia Pty Ltd (CXC Global) services will include:

1. Provision of a legal company structure whilst you are contracting or undertaking temporary work.
2. Invoicing or advising the client of amounts payable on your behalf, and on receipt of payment from the client, transferring payment to you.
3. The *Options* available:
 - A *PAYG* scheme can be established to ensure that sufficient tax, Medicare levy and superannuation guarantee charge are deducted from you,
or
 - A *Company* can be established on your behalf at a flat rate, only in the event that you have multiple sources of income
or
 - You may elect to receive tax efficient salary packaging,
or
 - A *combination* of the above with salary packaging and an investment company
4. All deductions made from you shall be remitted to the relevant Authorities on a monthly basis.
5. Provision of a monthly statement of income and expenditure.
6. Guidance on professional indemnity insurance, disability insurance or superannuation through external service providers, such as King Financial Group and CXC Financial Services (authorised representatives of Principal Financial Group Pty Ltd), at no cost.
7. Assistance and guidance in keeping accurate records to ensure that legitimate business expenses can be claimed as a tax deduction.
8. Processing and lodgement of your personal annual tax return through your accountant or one of many independent tax accountants of your choice.
9. Minimising your paperwork to weekly timesheets/commission or earnings statements and annual expense details.
10. Guidance on tax, insurance and finance issues. Some issues may be referred to the relevant associated companies mentioned above.
11. We can maintain foreign currency accounts and can pay you in other currencies.
12. Flexibility to change your jobs, contracts and/or options at any stage.
13. Should you leave the company, **no** termination fees will apply if we receive one months notice in writing. This is to enable us to complete all necessary documentation.

Conditions of this service

It is not our function to find contracts or employment for you. This is the area best covered by contract employment agencies and similar organisations.

No invoicing or payment to you can commence until we have completed the relevant contractual paperwork, and received written copies of your time sheets or confirmed advice as to commissions/earnings.

CXC Global will not pay you until we have received the payment from the client. All payments and benefits will be limited to that amount received for your services from third party users. Any back taxes and/or amounts due because of changes to legislation or interpretation thereof are for your account.

You will not be paid for sick leave, holiday pay, or if you are not working for any reason. You are at all times a part time contractor or temporary worker.

Fees

For contractors working in Australia, **CXC Global** has a range of service options, as listed below. **These fees are more than covered by the savings generated** (see scenarios above).

Silver Service option	4.50%
Gold Service option	4.75%
Platinum Service option	5.50%
Sponsored candidates	7.50%

CXC Global Services	Silver	Gold	Platinum
Company structure	YES	YES	YES
Invoicing	YES	YES	YES
Collection of funds	YES	YES	YES
Banking	YES	YES	YES
Salary packaging	YES	YES	YES
Wholesale Superfund, includes Life & Income Protection Insurance	YES	YES	YES
Payment of salary	YES	YES	YES
All statutory returns	YES	YES	YES
Annual tax return	YES	YES	YES
Workers compensation	YES	YES	YES
Public Liability Insurance - cover of \$5,000,000	YES	YES	YES
ACS Membership		YES	YES
CXC Global Member benefits program		YES	YES
Tax Guidance		YES	YES
Financial advice and planning		YES	YES
Professional Indemnity Insurance - cover of \$10,000,000			YES

How to join

Simply complete the **Options Agreement** and fax it to our relevant office. (Please refer to page 2 for relevant fax numbers.)

On receipt of the Options Agreement, you will be contacted by **CXC Global** to discuss your personal situation and determine specific salary packaging to suit your needs.

Other related services

CXC Global is a service for contractors and we attempt to assist wherever possible and practicable. We have a range of additional services that include but are not limited to the following. Please do not hesitate to ask if we can assist in other areas.

CXC Travel

At CXC Travel, we will endeavour to provide the lowest cost fares for all your travel needs. Our mark-ups will be a bare minimum on net fares to ensure that savings are passed on. We offer a wide variety of travel services including: domestic and international air tickets, coach passes, car hire, accommodation, escorted tours, adventure packages, island breaks, cruising, ski holidays and travel insurance.

Visit our website www.cxctravel.com.au and contact Jo on travel@cxcglobal.com.au or 02 9474 1250 for further information.

Insurance

The mandatory insurance i.e. workers compensation and public liability for IT contractors are covered and paid on your behalf as a part of the fee charged in Australia. Other protection plans are available at additional cost. Please contact CXC Global Account Managers or Customer Service to receive more information.

Superannuation

Through a bulk purchase option established with Colonial First State you have access to our Superannuation plan set up with **ZERO entry costs** for rollovers and **over 50 investment choices**. As an added benefit, you can use your superannuation contribution to provide you with life and income protection as well. You can choose the level of life cover and salary continuance (income protection) to suit your personal requirements (default is set at \$250,000 ea). This means that your **super can be used to pay these costs**, rather than you having to pay personally out of 'after tax' funds. Further information is provided in a Colonel booklet available from **CXC Global** offices.

The default fund includes the following; Life Cover up to \$250,000,00; Total and Permanent Disability (TPD) up to \$250,000,00; Income Protection Insurance (IPI) up to 75% of income for 2 years; and Superannuation. The major benefit of joining our default fund is that you do not need to do a medical to be approved for the fund. Once you have joined the fund, and then decide that you do not require a component of the fund, then kindly contact Raymond Fuchs who can arrange this. It is also important to note that a non-smoker is classified as someone not having smoked in the preceding 12 months. For further personal guidance and advice please contact Raymond Fuchs on 02 9363 9511 or refer to their web site www.afmadvisers.com

Employees may contribute to their own private complying superannuation fund, should they wish. Additional contributions from pre-tax salary are also an allowable benefit, which is limited to the annual maximum defined by the Concessional Contribution Cap.

Novated vehicle leases

As an integral part of the salary packaging, we are able to offer an infrastructure that meets the requirements of the tax office. This is run in conjunction with our preferred Leasing Company partners and enables contractors to salary package a vehicle of their choice, as well as run the vehicle expenses with pre-tax dollars.

A novated lease is simply an agreement between the Leasing Company, **CXC Global** (or its nominated company) and the employee, where the employee is ultimately responsible for the vehicle. As a part of a remuneration package, the employee arranges to lease a vehicle of their choice, novating the vehicle lease to **CXC Global** (or its nominated company). The major

advantage is the unrestricted private use of the vehicle and tax effective packaging options available. Maintenance, registration and insurance costs are all include in the lease cost and the Leasing Company will also provide you with a fleet card, so you will never have to put your hand in your pocket for fuel, as well as providing the monthly reporting and administration of this facility.

Fleet discounts

CXC Global has arranged fleet discounts with Audi Australia, Volkswagen Australia and Renault Australia. If you are interested in the discounted price list, or looking for information on branches please email your account manager who will forward the information onto yo

Tax guidance

CXC Global specialises in paying contractors. This is our only business, and we pride ourselves in doing it well, and to the best advantage for our contractors within the legal limits of those countries in which we operate. For this reason, we are far more aware of what can and cannot be done than the general practicing tax accountant. We are able to provide personal guidance on tax in Australia and refer you to the appropriate persons for advice in other countries.

Referral to Agencies

Many of our contractors come from innovative agencies that support our organisation. Whilst **CXC Global** does not find work for you, we are able to provide you with a job board **jobsXchange** (www.cxcglobal.com) where you can place your 'resume'. This job board is accessed by the many agencies that use **CXC Global** Management Services. We also suggest that you register on ITCRA's job board, www.it2.com.au.

Banking facilities

The Australian banking process can be a time consuming maze for the unsuspecting. We can provide guidance and introductions at our bank for contractors new to the country to fast- track this process.

Accommodation reference letter

Many real estate agencies seek references from previous landlords and/or agents prior to accepting applications for rental premises. We are able to assist here with letters of introduction and explanation of your work circumstances.

Additional information on rental properties is available on the following websites: www.theprofessionals.com.au, www.nationwiderealty.com.au, www.firstnational.com.au, www.raywhite.com, www.elders.com.au, www.ljhooker.com, www.century21.com.au

Free ACS or other Professional Membership:

With effect from April 2000, **CXC Global** will fund the membership fees for members on the Gold or Platinum Service option wishing to join the Australian Computer Society (ACS) or another relevant Professional body to a value of \$300 (subject to a qualification period). We strongly believe that the ACS (www.acs.org.au) has a positive role to play in the future of IT professionals, and are proud to be a part of their Participating Partners Program. ACS membership will entitle you to professional status recognition (such as doctors, lawyers and accountants) here in Australia. **CXC Global** provides this free of charge to members who use our Gold or Platinum service option

Sample list of expense claims

- Repairs and maintenance to business equipment
- Salaries paid including Fringe Benefits
- Rates, land tax
- Insurance premiums
- Advertising expenses
- Interest on borrowing's
- Pre-paid expenses
- Bad debts written off
- Donations of \$2 and over
- Commissions paid
- Legal expenses on business affairs
- Lease document costs for motor vehicles, premises, equipment
- Losses from previous years
- Voluntary superannuation contributions
- Subscriptions to newspapers, magazines
- Membership to professional organisations, clubs
- Seminar expenses
- Motor vehicle expenses (if used for income generation), lease or depreciation, plus
- Petrol, repairs, parking, insurance, rego, (maintain log book for three months)
- Accounting, tax agent and tax audit fees
- Royalties paid
- Overseas business travel, (purpose and travel diary essential)
- Research and development expenditure
- Bank fees,
- Telephones
- Mobile phones
- Computer and office equipment depreciation
- Consumables, stationery, postage
- Books and publications
- Self education
- Part or all rentals paid (or home office*)

* *Home office rent is a messy one if you own the property. When the property is sold, a portion of the sale price is subject to capital gain, dependant on the percentage of rent claimed.*

Each individual may claim different percentages of the above expenses, up to 100%, dependant on the degree of justifiable business/personal use. *These need to be justifiable so detailed records of expenses and working papers should be kept.*

CXC Global Privacy Policy

At CXC Global we are committed to ensuring the privacy of your personal information. The following statement explains how we manage your personal information in accordance with the Privacy laws.

When contractors or employees become CXC Global members, any further personal information collected or generated as a result of our relationship, is also safeguarded and protected from access by unauthorised individuals.

We will only ask for and record personal information that will help us in our service to you and we will not pass on any personal information without the consent of the contractor or employee. Personal information passed to us by clients will be treated in the same way.

Information collected by us will not be sold, rented or licensed to anyone else. When the information is no longer of use to us, we will destroy it in a manner that protects the privacy of the individual. Likewise, you have the option of having your details deleted from CXC Global database at any time.

Personal information held by us is available for review by the individual in accordance with the provisions of the Privacy Act.

Collection of your personal information

Generally, the type of personal information we collect about you is the information included in your application or résumé. For example, your name, mailing address, telephone number, e-mail address, career history, details of any competency tests or other information relating to your career.

Where practical we collect your personal information directly from you. We may collect personal information about you when you deal with us by telephone, letter, fax, e-mail or visit our website.

In some circumstances, we may also collect sensitive information about you such as information about your membership of a professional or trade association or trade union; your health (including any disability), your racial or ethnic origin or any criminal record that you may have. Where we collect this type of information we will obtain your consent.

We collect personal information for any one or more of the following purposes:

- our management of any complaint, investigation or inquiry in which you are involved
- any insurance claim or proposal that requires disclosure of your personal or sensitive information
- to facilitate services to or by us, where your organisation is a client or service provider or potential client or service provider.

There may be occasions when we obtain personal information about you from a third party; for example, from your nominated referees; when receiving the results of a psychological or competency test; or obtaining performance feedback about your work. If we don't have your prior consent, we will take reasonable steps to inform you that we have collected personal information.

If you do not provide us with the information we seek we may be limited in our ability to provide you with our services.

Use and disclosure of your personal information

We may use and disclose your personal information for the purposes it was collected, or for a related or ancillary purpose such as providing you with one of our services, or as a consequences of using one of our services.

We may disclose your personal information to:

- potential employers
- clients who may wish to engage your services as a contractor or temporary resource

- organisations that conduct competency or psychometric tests
- referees
- a worker's compensation body
- our insurers
- suppliers of services to us
- our related entities
- depending on the circumstances, to the Australian Federal Police to verify whether you have a criminal record.

If we engage third party contractors to perform services for us which involve handling personal information we will take reasonable steps to prohibit the contractor from using personal information except for the purposes for which it was supplied.

Gaining access to information we hold about you

You can gain access to the personal information we hold about you by written request. A request for access to the personal information we hold about you or in relation to an inquiry about privacy should be sent to:

The Privacy Officer
 CXC Global
 PO Box 7217
 Warringah Mall Shopping Centre
 Brookvale NSW 2100

We will deal with your request to provide information within a reasonable time.

Keeping your personal information up-to-date

If your personal information changes please contact us and we will endeavour to update and correct the information. We may also contact you from time-to-time to check the information is still correct.

Where you provide personal information via the internet we wish to ensure it is accurate, complete and up-to-date. You may update your personal information at any time, to do so simply log into MyCXC, and you will find options for editing the information you have submitted. Alternately, please contact our Customer Service Team at customerservice@cxcglobal.com.au

Security of your personal information

Your personal information may be stored in hardcopy or electronically. We have security procedures in place to protect your personal information.



Terms and conditions of the agreement between, and application to become a member of CXC Australasia (hereinafter called the Company) whose office is situated at Suite 218, 117 Old Pittwater Road, Brookvale, NSW, 2100 and _____, the member, hereinafter called the Member.

The Terms and Conditions represent an agreement between the Company and the Member whereby the Company agrees to supply the services described in the above brochure of Consultants Exchange Australasia Pty Ltd, directly or indirectly, and is subject to the same terms and conditions.

The Member agrees to provide services to the user and/or third parties (the Client) in the capacity of _____ (insert occupation) and will be paid according to the agreed terms as specified in their agreement, and any subsequent agreements as may be added from time to time. The Company will facilitate administration and other services for the Client.

Payment is to be made to a nominated account from revenue received for the Members' services to the Client or who enter into agreement with the Company to provide administration and other services, with the approval of the Member, for the supply of the Member services. Clients are deemed to be agencies or end users within the computer and various industries, and professional occupations.

The Member also agrees to abide by the Terms and Conditions of the various contracts that the Company may sign on the Member's behalf with Client, with the Member's permission.

The Member will not be paid by the Client or the Company for sickness, maternity leave, statutory holidays or any non-revenue earning periods, unless expressly defined in their agreement. In addition, the Member has no holiday entitlements, long service leave, paid or otherwise from the Company or the Client.

Hours of work are to be specified in any agreement between the Client using the services of the Member and must be agreed by the Member.

The Member is responsible for providing within the specified timeframe, the respective signed timesheets of hours worked and other relevant documentation to facilitate advice to and payment by the Client, and ultimately payment to the Member by the Company on receipt and clearance of funds.

The Member will be under the direction and supervision of the Client and/or nominated third parties.

The Member will not have any recourse to a grievance procedure within the Company.

The Member shall not at any time during or after the period of service with the Company divulge or use any confidential information concerning the business or interest of the Company or any other associated companies.

The Member shall not at any time during or after the period of service with the Company divulge or use any confidential information concerning the business or interest of the Client. All documentation and other property belonging to said Client must be returned upon completion or termination of the contract to the Client.

Under no circumstances will the company be liable for loss of profits, whether direct or indirect, or any indirect or consequential damage whatsoever.

The Member shall not, and has no authority to, enter into any agreement on behalf of the Company, the Client.

The Member will indemnify the Company, the Client against any and all losses arising out of the action or inaction of the Member.

This agreement may be terminated by the Member in accordance with their agreement with the Client. The Company may terminate the services to the Member on termination of a contract by the Client per paragraphs 3,4 and 5 of this agreement.

The Company's fee for this service in Australia shall be based on the service option selected by the Member. (Fee will vary by country - UK, Ireland, USA, HK and NZ. Fee will vary by county in UK, Ireland, HK and NZ)

Declaration: I have read the above information and terms and conditions specified therein and I agree with said terms and conditions. I understand that the contract in no way vitiates any rights accruing to me as a Member. I hereby authorise Consultants Exchange to package my salary as agreed. I also authorise the disclosure of any personal details that have been made in this application for services supplied by the Company to other entities involved in providing or administering these associated services as offered by the Company. These options are available on a user pays basis. By choosing not to take up these options the member forgoes any claim with regards to training, leave pay, long service leave, sick leave, or bonus unless specifically nominated in the contract.

Signed at (place) on (date) ____/____/20____

Personal information

Contractor name Date of birth ___/___/___ Gender M / F
 Street address City/town P/code
 Postal address City/town P/code
 Tel (W)..... Fax Email.....
 Tel (H)..... Mobile..... Marital status Single / Married / Defacto
 Emergency contact name..... Relationship.....
 Emergency contact phone..... Email.....

Banking information

Bank 1..... Bank 2.....
 Address..... Address.....
 BSB: ___ - ___ (6 digit code) BSB: ___ - ___ (6 digit code)
 A/C number..... A/C number.....
 A/C name..... A/C name.....
 A/C type *Cheque / Savings / Loan* A/C type *Cheque / Savings / Loan*
 Amount or % to deposit..... Amount or % to deposit.....

Tax and visa information

Tax file # 2nd Job Y / N (for tax purposes)
 Nationality..... Residency status.....
 Visa type (if applicable).....

Superannuation & Financial Planning

A Superannuation Choice form will be sent to you in your CXC Global Starter Pack. This legal document needs to be completed signed and returned to CXC. CXC also encourage our contractors to seek additional Financial Advice.

(Please tick if you would like to be contacted by our qualified partner company)

Insurance Investments Financing

Agency or Client

Name Agency/Client..... Contact Phone
 Contract start Date ___/___/20___ Contract finish date ___/___/20___ or duration _____
 Rate/salary \$..... per hour / day / week / month Email payslips.....

What do you believe are the benefits to being a contractor?

- Greater financial reward
- Gateway to permanent employment
- Employment between permanent positions
- Greater opportunity for highly skilled professionals
- Other

How did you first hear about CXC Global?

- The Recruitment Consultant who placed you in the contract
- A friend or colleague who has used or uses CXC Global
- The Client Manager or HR Department of the client
- Through the CXC Global website or other advertising
- Other (please name).....

Service option Silver Gold Platinum PAYG (no salary packaging)