PROFESSIONAL SERVICES CLIENTS

PCG 2025/5 AMBER ZONE COMPLIANCE PACK

Prepared by TENfold Wealth Accountants | Financial Year Ending 30 June 2026

PART 1 — DEFENSE FILE TEMPLATE

YEARLY STRATEGIC REMUNERATION AND CAPITAL MANAGEMENT MINUTE

ENTITY NAME: [ ]

ACN: [ ]

FINANCIAL YEAR: [ ]

DIRECTORS PRESENT: [ ]

1. BACKGROUND AND STRUCTURAL PURPOSE

The Directors reviewed the operational structure of the Company. It is noted that the Company operates a professional public practice specialising in:

Profession / Industry: [ ]

The structure was originally chosen, and continues to be utilised, to achieve the following core commercial objectives:

- To limit personal commercial liability with respect to trade creditors, leasehold obligations, and general commercial counterparty risks.
- To provide a scalable platform capable of hiring administrative and professional staff, entering commercial contracts, and accumulating business capital.
- To facilitate long-term business succession planning and the eventual transition of goodwill.

2. ASSESSMENT OF ATO COMPLIANCE FRAMEWORK (PCG 2025/5)

The Directors formally noted the issuance of Practical Compliance Guideline PCG 2025/5 and the transition period ending 30 June 2027. The Company deliberately operates within the Moderate Risk (Amber Zone) framework. The Directors acknowledge that while the practice generates Personal Services Income (PSI), it qualifies as a Personal Services Business (PSB).

To ensure absolute alignment with the ATO's integrity gateways under Part IVA, the Company adopts the following two-part compliance mechanism:

A. Principal Market-Rate Remuneration Policy

The Company rejects arbitrary income splitting. It is resolved that [Principal's Full Name] (the Principal) shall be remunerated with a gross salary/director's fee of:

Annual Benchmark Salary (incl. superannuation) $: [ ]

Commercial Justification for Benchmark: This remuneration has been objectively benchmarked against market rates for a non-owner Senior Principal/Director with equivalent years of experience in the [Region/City] market. Evidence of this benchmark has been sourced from:

Salary Survey / Recruitment Guide Reference: [ ]

A copy of the supporting benchmark evidence has been appended to this file.

B. Working Capital and Profit Retention Policy

The residual practice profit of approximately:

Residual Profit Amount $: [ ]

shall be retained within the Company and taxed at the 25% corporate base rate.

Commercial Justification for Profit Retention: The Directors resolve that these funds are not surplus personal income, but are working corporate capital. The retention of these funds is required for the following dominant commercial purposes:

- **Working Capital Buffer:** Maintaining a minimum of [ ] months of ongoing fixed operational overheads (including software licences, PI insurance premiums, and rent) to manage cash flow volatility.
- **Capital Expenditure Reserves:** Earmarking funds for upcoming infrastructure upgrades, specifically:
  - [ ] Future commercial lease fit-outs
  - [ ] Specialised IT & server infrastructure upgrades
  - [ ] Establishment of dedicated home consulting rooms / specialised testing equipment
  - *[ ] Other: [ ]*

3. DIRECTORS' DECLARATION ON DIVISION 7A AND ASSOCIATES

The Directors explicitly declare that:

- No retained corporate earnings have been or will be loaned, advanced, or made available for the personal use of the Principal or their associates outside of standard, fully compliant Division 7A loan agreements.
- No dividends or inflated salaries have been paid to non-working associates or family members. Any payments made to associates are strictly for services rendered, at documented arm's-length market hourly rates.

Dated this _______ day of _________________ 2026

Director's Signature: ________________________

[Director's Full Name]

Disclaimer: This document is prepared as a template by TENfold Wealth Accountants and is of a general nature only. It does not constitute specific legal or tax advice. The Principal should obtain advice specific to their circumstances before relying on this document.

PART 2 — AMBER ZONE OPERATIONAL CHECKLIST

Provide this checklist to your client at the start of the financial year to enforce the behavioural compliance required to maintain Amber Zone status and withstand a Part IVA challenge. The corporate resolution is the shield — daily banking behaviour is the armour.

CATEGORY	STATUS	ACTION ITEM	CA PROFESSIONAL NOTE
Contracts & Billing	[ ]	**Novate Core Service Agreements** Ensure all principal contracts, clinic agreements, or client service terms are explicitly in the Company Name & ABN — not your personal name.	Essential to pass Gateway 1. The entity must legally contract the work. Personal-name contracts are the single most common audit failure point.
Remuneration	[ ]	**Lock In the Benchmark Salary** Run a regular, formalised payroll cycle via Single Touch Payroll (STP) to pay your agreed-upon commercial benchmark salary.	Do not wait until 30 June to execute a single journal entry. The ATO views regular payroll as proof of a genuine employment relationship. Ad hoc year-end entries are a red flag.
Banking & Div 7A	[ ]	**Enforce Strict Bank Account Separation** Under no circumstances should personal lifestyle expenses (groceries, school fees, personal holidays) be paid directly from the company bank account.	Mixing personal and corporate cash triggers automatic Red Zone audit classification under PCG 2025/5. This is the most common and avoidable compliance failure.
Banking & Div 7A	[ ]	**Zero Free Personal Loans** Ensure any money drawn above your salary is processed as a formal dividend or captured under a compliant, signed Section 109N (Division 7A) Loan Agreement with benchmark interest paid annually.	Sloppy drawings are the low-hanging fruit for ATO auditors reviewing professional firms. Every dollar above salary must be documented before 30 June.
Associate Splitting	[ ]	**Audit the Spouse's Admin Salary** If a spouse is paid an administrative or bookkeeping salary by the company, document their hours via a logbook/timesheet and keep their hourly rate within market benchmarks ($35–$45/hr).	The ATO explicitly targets 'inflated spouse salaries.' If you cannot prove the hours or the market rate with contemporaneous records, do not pay it.
Profit Retention	[ ]	**Earmark Retained Cash in Business Accounts** Leave 25%-taxed residual profits inside the business high-interest savings account or corporate investment vehicle. Do not use	The cash must look and act like business capital to survive a Part IVA dominant-purpose challenge. It should be identifiable as reserved for specific corporate purposes

CATEGORY	STATUS	ACTION ITEM	CA PROFESSIONAL NOTE
		corporate cash to pay off your personal home mortgage.	documented in the Board Minute.
Asset Protection	[ ]	**Review Professional Indemnity Policy** Verify that your Professional Indemnity Insurance explicitly names both you as an individual practitioner and your Pty Ltd Company as insured parties.	Aligns commercial reality with the asset protection argument documented in the Board Minute. Uninsured corporate structures undermine the structural rationale argument at Gateway 1.
Bookkeeping	[ ]	**Maintain Live Cloud Accounting (Xero / QBO)** Ensure all bank feeds are reconciled at least monthly to allow your CA to run quarterly tax-effected reviews and proactive adjustments.	Crucial for proactive adjustments before the 30 June cut-off. Clean, real-time ledgers are your best evidence in any ATO review. Shoeboxes get audited — Xero files get closed.

Reviewed and signed off by TENfold Wealth Accountants

Advisor Name: ___________________________________ Date: _________________ Client Initials: ________

This checklist should be retained as part of the client's contemporaneous compliance file. For advice specific to your circumstances, contact your TENfold adviser.

Further reading: Is Your Professional Services Structure Safe? ATO PCG 2025/5 Tax Guide — tenfoldwealthaccountants.com.au/is-your-professional-services-structure-safe-ato-pcg-2025-5-tax-guide/