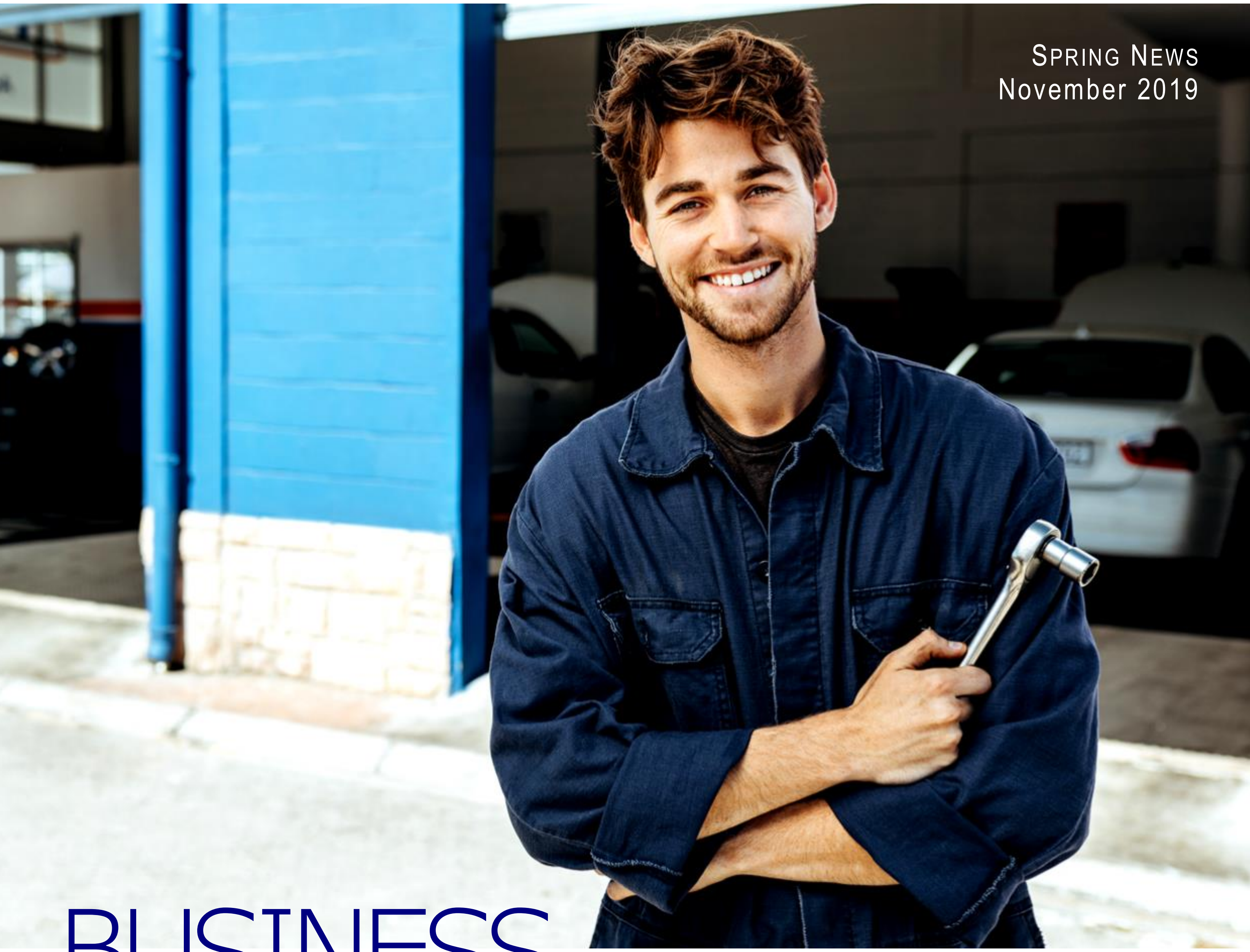
SYMES ACCOUNTANTS
BUSINESS & PERSONAL ADVISORS



Spring News
November 2019

BUSINESS EDGE

IN THIS ISSUE...

Message from the Directors

Here at Symes Accountants our goal is to provide you with all the finance information you need to know to give your business the competitive edge, and to keep you ahead of the latest business and tax insider information. This issue we bring you the latest on land tax changes, single touch payroll, FBT and more.

The first quarter of the year has already passed and the approaching rush of Christmas edges a little closer. Take the time to start planning your employee leave, parties and end of year clean up so that you're not leaving it until the end.

This time of year also tends to put a major strain on cashflow. More stock needing to be ordered, tighter deadlines to beat the festive closures and shipping dates, plus chasing outstanding invoices from clients while trying to keep up with your own bills and overdrafts. It definitely can be a stressful time. Time to take a step back and put some strategies in place for future cashflow management.

Single touch payroll (STP) is here and there are still some clients who are yet to sign up. If you're still unsure which software program would suit your business, or unsure how it will affect your payroll practices, chat to our team today. Think of STP as a conversation starter around your business practices rather than just a compliance obligation!

At Symes, we are here for your business beyond the basic black and white numbers. You don't need to be an accountant to run a business, but you do need to understand your finances to be successful and we're here to help you through every step.

Your business. Your way. Together.

DIRECTORS

Peter Caddy
Hans van Heuven
Stephen Arthur

There's been a lot of talk about land tax changes. What's the latest?

Announced in this year's State budget, the Marshall Liberal Government introduced reforms to the grouping rules for land tax with an expected commencement date of 1 July 2020. Total interest of land ownership by an individual will now be **aggregated**, rather than only properties held under the *exact same* ownership structure. The land tax threshold is currently set at $391,000, and the percentage of tax increases as the value of properties increase (up to 3.7 per cent for properties worth more than $1.3 million). South Australia currently has the highest land tax rates in the country and the overhaul is aiming to bring the state in line with the average of other states.

Following three rounds of amendments, in addition to aggregation rules, proposed changes include:

- The minimum property tax threshold will rise to $450,000 (from $391,000)
- Reduction to the top land tax rate to 2.4 per cent from 1 July 2020 (from 3.7 per cent, and a further reduction from the 2.9 per cent announced in June)
- Lowering the top tax rate to 2.0 per cent for site values between $1.1 million and $1.35 million (to apply from 2020)
- Look-through of legal structures, with trust structures to incur a surcharge (or higher rates) where beneficiaries do not have either a fixed or nominated beneficiary.

Reforms to the grouping rules are designed to stop property owners from creating trusts and ownership structures for multiple properties in order to minimize their land tax bill. Until now investors have been able to split their property ownership between different businesses or trusts which could result in a reduction in land tax rates. For example, an investor with seven properties worth a combined $2.5-$3 million avoids paying land tax - and the government doesn't think that's fair.

Laws were introduced into parliament on October 15 with hopes of it being passed by mid-December. However, backlash against the changes is against the government and Labor continues to refuse supporting any amendments to the current legislation, disputing that 'mum-and-dad' property investors will be impacted more than big companies. Opposition leader Peter Malinauskas stated that the changes "will have substantial implication on small business – whether you're a tradie, whether you're a retailer, whether or not you're a panel beater, this is going to have an impact".

In Australia, investment structures are typically held within discretionary trusts due to their capital gains treatment, rental income streams, asset protection and succession planning. The government has confirmed that SMSFs will be unaffected by the aggregation changes, and companies will not be exempt from the grouping rules and trust surcharges. If you have been thinking of investing in property in the coming year, we strongly recommend chatting to our team about the best structures for your investments, especially as more information comes to hand.

The government is determined to pass their land tax legislation, and as more confirmation or amendments come through, we will ensure to keep you updated along the way.

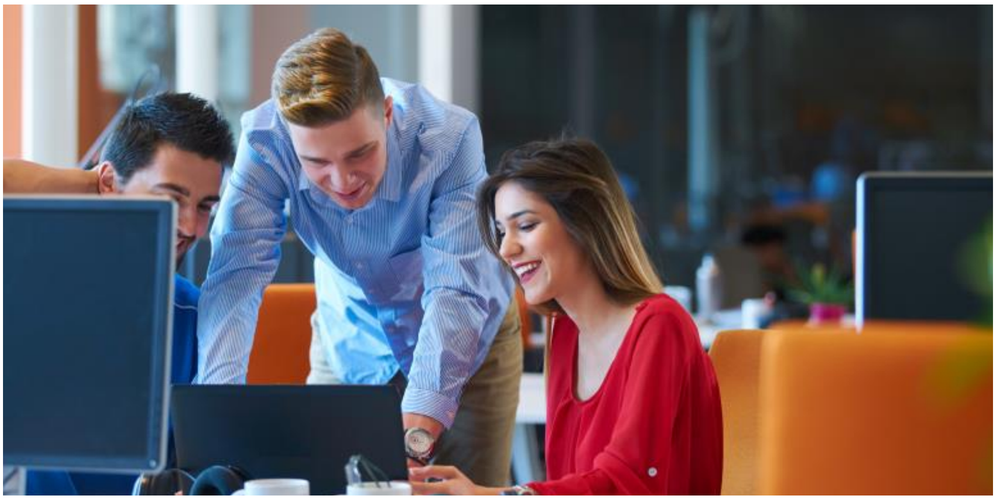
New assets = better productivity

If your business hasn't already taken advantage of the instant asset write-off, now is the time to do so. With great financial benefits for small businesses, the scheme has recently been expanded so that more businesses can take advantage. This includes medium-sized businesses with a turnover from $10 million to less than $50 million.

Assets worth less than $30,000 can be instantly deducted in the year they were purchased (instead of depreciating it over several years), providing the equipment is installed and used in the year that it was purchased.

The tax relief is a great incentive for small businesses to consider upgrading to new or second-hand equipment to boost business productivity, competitiveness and efficiencies.

With another 6 months left of the scheme (which will wrap up on June 30 2020), and the current cashflow crisis hitting small businesses, now is the time to consider this valuable scheme.



Single touch payroll - there is still time to apply for deadlines

With the introduction of single touch payroll (STP), now is a crucial time to review your payroll practices. The ATO now has greater transparency of employer data and payment information, including your super guarantee obligations. This means that the obligation for business owners to ensure they are up to date and adhering with payroll obligations and legislation changes is even more crucial.

Missed the STP deadline? There is still time to ensure you are signed up. To avoid penalties, every business will need to start reporting using STP. Extensions are available for closely-held payees of family businesses, and quarterly reporting is accessible for small employers or seasonal workers.

Feeling overwhelmed with the new technology? STP is a great tool for your business. Greater access to your real-time financial data provides you the ability to work more proactively in your business and manage your current finances. As your accountant, access to your real-time financials gives us the ability to consider better and more <u>specific</u> business planning advice for your business. You don't need to travel the road alone - we're here to help be your 'virtual CFO' and work with you to navigate the maze of legislation, compliance and getting your business into it's best shape possible. With the ability for you to tap into business advice much earlier in your business journey, we can help you mitigate and manage the tough times together.

Chat to us about finding the right solution for your business.

Super guarantee exemptions for high income earners

From 1 January 2020, individuals who work for multiple employers may be able to opt-out of receiving the compulsory super guarantee from *some* of their employers to help stay under their concessional contributions cap. To be eligible, employees must work for more than one employer and expect that they will exceed their concessional contributions cap for the financial year due to their employers' mandated concessional super contributions.

Employees would need to submit a '*SG opt out for high-income earners with multiple employers'* form which would release one of their employers from their SG obligations for up to four quarters in one financial year. They <u>must</u> still receive compulsory superannuation from at least one other employer. With the exemptions being available from the start of the new calendar year, employees will still have time to make applications for the remainder of the 2019-20 year with 18 November 2019 the deadline to submit the opt-out form to the ATO so the exemption can apply from 1 January 2020.

As this may not benefit everyone who is entitled to apply for the exemption, it's important that employees consider ALL of their circumstances. This includes employment arrangements, how pay and other entitlements may change, and the effect of a relevant award or workplace agreement in place.

Keep ahead of Cashflow
Driver of your business operations

Unfortunately the vast majority of businesses in Australia struggle due to inadequate cashflow management. As the key driver of all business operations, it's important to continuously monitor and forecast your cashflow in order to keep your business running day-to-day, and also keep on top of bills. By monitoring your ability to generate cash to fund your working capital requirements, you have the ability to foresee any potential cash shortages, providing time to implement mitigation strategies.

Forecasting based on your current cashflow situation can provide crucial business analyses:
- do you need to consider downsizing or consolidation of the business?

- are you on track for achieving steady growth?

- do you have the ability to acquire new assets or expand your current operations?

- do you have an approaching cash shortage?

Drive better operational decisions for your business by monitoring and analyzing your cashflow. According to the Small Business and Family Enterprise Ombudsman, Kate Carnell, 97% of all Australian businesses employ fewer than 20 employees. According to Carnell, the current lack of cashflow through Australian small businesses is causing a 'cashflow crisis', especially within small businesses.

CASHFLOW MANAGEMENT TIPS

1. Invoice clients as soon as possible. The sooner the invoice is sent, the sooner you'll receive payment.
2. Ensure your books are up-to-date. Keep track of your current financial state at a quick glance. Use quality and accurate accounting practices and software so you always know your cash position.
3. Keep business and personal separate. Combining your finances can get messy in knowing how much cash your business is actually generating. Use excess cash to grow your business and pay yourself properly.
4. Build a cash reserve for rainy days. Unexpected opportunities can be great for your business, but if you don't have a buffer to facilitate them you won't be able to take advantage of them.

CONSIDERED A TAXABLE FRINGE BENEFIT?				
	ON PREMISES		OFF PREMISES	
Cost per person	OVER $300	UNDER $300	OVER $300	UNDER $300
EMPLOYEES	X	X	YES	X
PARTNER / FAMILY	YES	X	YES	X
CLIENTS	X	X	X	X

Don't let the FBT Grinch get to you!

Fringe Benefits Tax applies wherever an employer provides a benefit to an employee other than their regular salary or wage, with employers required to pay FBT at a rate of 47 per cent on the grossed-up taxable value of these benefits. The ATO classifies work social events such as Christmas parties, Melbourne Cup luncheons or awards nights as an 'entertainment benefit' and therefore FBT will apply unless certain exemptions are met.

When does FBT apply?

The key points to consider when holding your work Christmas or Melbourne Cup party are:

- who is attending,
- where the party is going to be held
- how much it will cost on a per head basis (including GST).

The ATO uses these factors to determine if there will be any FBT implications for the business hosting the function.

What are the exemptions?

As shown in the table above, the ATO does allow some tax exemptions for employers hosting their parties.

The first is the FBT exemption for 'minor' and 'infrequent' benefits valued at less than $300 (including GST). This is a catch-all exemption covering low value benefits provided to current employees and their family on an infrequent or irregular basis. The other key exemption is the exempt property benefit. This covers food and drink consumed by employees at a party provided it is held at the employer's premises on a business day. Additionally, there is an exempt transport benefit if the employer decides to pay for an employee's taxi ride home after an event held on the business premises.

Watch for other taxes

It's also important to note that the cost of work parties are not tax deductible for the business unless the expenditure is subject to FBT.

Most of the entertainment cost of a work party also does not qualify for GST input credits. Employers can only claim input tax credits for the GST paid on the component of the entertainment that is subject to FBT. This situation only occurs when the cost is more than $300 per person and the party is held off-site from the business premises.

The Symes Accountants office will be closed for the festive break from Friday 20 December to Monday 6 January 2020.

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MONDAY - FRIDAY 8:30am to 5:00pm
CLOSED Public Holidays & Christmas/New Year

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