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Globe Accounting Pty Ltd
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Hello and Welcome to our March 2014 Newsletter

Globe Accounting Pty Ltd is celebrating 10 years in business this April. Thank you to all of you for helping us achieve this milestone. Without you, our valued clients, we would not be having this celebration.

We are having an open day on Friday 4th April 2014, from 11am to 3pm at 'The Globe' 28 Palmerin Street, Warwick. The BBQ will be fired up for lunch and an open invitation extends to all. We would love to see as many of you as possible. If time doesn't permit to stay for lunch, drop in for a cuppa and some birthday cake anytime between 11am and 3pm. For those of you who haven't seen all of our offices, we would love to give you a guided tour. If you are able to make lunch, please contact our office by phone or email by 2nd April 2014 for catering purposes.

As we are fast approaching the end of the 2014 financial year it is time to consider your options regarding your taxation position as at 30th June 2014. We strongly encourage our business clients to come in and discuss their situation and have some tax estimates prepared. Please feel free to telephone our office and make an appointment prior to June.

You will have received an invitation to take up an Audit Insurance premium with Audit Shield. If you are not interested in this Insurance, please return the appropriate form so you do not receive future letters regarding this service. Alternatively, feel free to phone the office to let us know.

If you are struggling with the effects of the drought, the Rural Financial Counseling Service is a free service that assists with hardship claim forms and is able to assist with bank mediation if necessary, for more information visit the website www.rfcsqsw.org.au. As always, please feel free to contact our office if you have any questions in relation to any of the information contained in this newsletter, or if you have any other queries. We look forward to your company on Friday 4th April.

From Pauline, Peter and the team

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Looking after No. 1 – protecting you

If you plan on quitting smoking then you are part of a nationwide trend. According to the Australian Bureau of Statistics (ABS), the smoking rate decreased from 22% in 2001 to 16% in 2011/2012.

Weight loss is another New Year's resolution for many. However, despite the fact that we are all conscious of our weight, the ABS tells us that the proportion of adults who are overweight or obese in Australia rose to 63% in 2011/2012.

Your weight and whether or not you smoke not only have a major impact on your health, life expectancy, and wallet, but these two factors often determine what you pay for insurance.

The strange thing about life is that we live as if life is consistent. The reality is that it isn't - accidents, illnesses, social issues always seem to come as a surprise despite the fact that we know problems commonly occur - just not to us. So, to protect yourself in 2014, here are our top 5 things you should do:

- **Get your insurance sorted** - at the very least, you should have life insurance. Insurance for total and permanent disability and income protection is even better. If you have a SMSF, your investment strategy needs to consider life insurance for fund members. If you own or invest in a business, it's important to consider what might happen if you, or one of your fellow directors dies or is permanently or temporarily incapacitated. There are some clever structures that can be put in place to manage all these eventualities.
- **Make a will or make sure it is updated** - as life changes so should your will. When was the last time you reviewed it? Enduring Power of Attorney is also a major issue right now, particularly for those with SMSFs.
- **Plan ahead** - while it seems that most personal financial planning strategies are all about retirement, this isn't really the case (it's just where the money is). There is a wide array of strategies that you can employ when you're coming into and in your best income producing years to help build and maintain wealth.
- **Protect your personal health** - your diet and exercise patterns make a difference. Exercise reduces your risk of heart attack, diabetes and unexpected disease. If that's not enough, *The Guardian* also reports that there are some indications that exercise makes you smarter!
- **Invest in good advice** - major personal, financial life or business decisions deserve attention. OK, yes we know coming from us this might sound self-serving but good advice can make the difference between a good and not so good result. You need to know what to look for when it comes to structuring, tax, planning, and strategy.

Easy come, easy go: The PPSR & your business

31 January 2014 should be seared into the brains of business owners and operators.

When the *Personal Property Securities Act* (PPSA) came into effect in January 2012, it provided a two year grace period to register security interests on the Personal Property Securities Register (PPSR). The PPSR is a national register of who has security over different forms of property (other than land and buildings). If you sell goods under retention of title or consignment arrangements, if your business hires or leases goods or equipment to others, if you buy or sell used goods, you need to register your security interests by midnight on 31 January 2014 or risk losing that property.

Imagine this...you are in business and have supplied stock to a retailer. You haven't been paid for the stock but continue to supply to the retailer under normal terms of trade. When the next delivery arrives at the retailer it can't be delivered because the store is closed and chained up. Your business hasn't been paid yet. You sold the goods on a retention of title basis so the stock belongs to you until the retailer pays you, right? The answer is not necessarily. If your security interest in the stock is not on the PPSR, then your rights may not be recognised even if you can prove you have legal title. One business has already learnt this lesson the hard way when they lost the rights to assets they held legal title over because they did not register their security interest on the PPSR but a financier did (see *Maiden Civil v QES [2013] NSWSC 852[1]*).

The PPSA is one of the most important changes to business in many years. It means that ownership is no longer king if you get into a stouch about who owns what. It's important to review whether or not your business is affected, and if so, register quickly.

If you are buying assets or entering into agreements, it's also important to check the register to find out who has a security interest over the property involved.

The PPSR is not just for business. If you are personally buying anything valuable that is second hand, for example a car, you should check the register.

See www.ppsr.gov.au for more information and to access the PPSR.

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically on the basis of this information alone. If expert assistance is required, professional advice should be obtained.

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Selling shares or property? Why the ATO is looking over your shoulder

Data matching helps the ATO identify taxpayers that have not declared the full amount of income they make on their tax return.

They are now looking to expand the sources of data they match to make sure they get every last cent owing from the 12.4 million individual income tax returns lodged.

Treasury released a discussion paper on tax compliance and ATO data matching; putting forward ideas on some ways they wanted to increase the powers of the ATO to data match to cover areas such as sales of property, shares and units, and sales through merchant services. And you can understand why given that in 2012 alone, the ATO identified 1.4 million anomalies in property sales data compared to what was declared on income tax returns for Capital Gains Tax purposes.

The discussion paper is a 'warning' of what is coming. It's likely that in years to come, the ATO won't need you to tell them what you've been doing, they will already know.

AusIndustry R&D deadline looms

The deadline to register with AusIndustry for the R&D Tax Incentive ends on 30 April.

The tax incentive is there to help businesses offset some of the costs of doing R&D. The program is open to businesses of all sizes in all sectors that undertake eligible R&D. If your business' activities are eligible, the offset can be a huge benefit offering:

- a 45% refundable tax offset (equivalent to a 150% deduction) to eligible entities with an aggregated turnover of less than $20m pa; or

a non-refundable 40% tax offset (equivalent to 133% deduction) to all other eligible entities.

If you are uncertain whether your business would qualify for the R&D Tax Incentive, contact us today.

Why the ATO is looking closely at you this FBT time

Almost half of all tax collected flows through about 800,000 employers. In an environment where tax revenues are falling, Fringe Benefits Tax (FBT) is of particular interest to regulators. The simple reason is that the ATO can rely on the fact that many employers simply fail to recognise their FBT obligations - it is low hanging fruit.

To save you from the virtual equivalent of a knock on the door from the ATO, we've devised our list of the key things to watch out for pre and post the end of the FBT year on 31 March:

iPad vs Laptop...what's the difference?

The answer is not a lot any more. A few years ago the ATO considered that an iPad and a laptop were two different items with different functions. But now the ATO is being forced to keep pace with evolving technology and has revisited the issue.

So why is this important? The distinction is important because under FBT law, an employee can for example, salary sacrifice one portable electronic device each year FBT free as long as that device is also used in their job. So, that means that as long as you use the device for your work (for example working from home), you can pay a lot less for that device than if you just walked into the shop and bought it. But wait there's more. You can also salary sacrifice more than one electronic device each year as long as those devices have different functions. So, you could salary sacrifice a laptop and an iPad in the same year FBT free if the laptop and iPad had different functions.

With technology melding the functionality of electronic devices, the ATO have now said that employers need to look at the function of the device to make sure there is only one FBT free device with that function each year. If the function is effectively the same, then only one device can be FBT free. Something to watch out for.

Cars & FBT: what you should be on the look out for

Every year the ATO tells us what sort of things they're looking out for and they are always interested in cars! The ATO's view is that there are probably plenty of situations where FBT should be paid but isn't.

One of the ways the ATO figures out if there is an FBT liability is by looking at companies claiming car expenses but are not lodging FBT returns and not reporting employee contributions on the company tax return. This doesn't mean there is a problem but in some cases the ATO might ask you to prove that the car expenses don't trigger FBT.

Car fringe benefits: Rudd Government changes now six feet under

Before the election, the Rudd Government sent the car and finance industry into a spin by announcing that they would scrap the Statutory Formula Method used to calculate fringe benefits tax on cars. The Abbott Government has now formally stated that they will not proceed with this measure.

Why the ATO is looking closely at you this FBT time Continued …….

If the statutory formula method had been scrapped, there would be an adverse effect on the taxable value of car fringe benefits where the car was mostly used for private use or the employee failed to keep an eligible log book. When using the statutory formula method, the taxable value of car fringe benefits is a flat 20% of the base value of the car, regardless of the distance travelled by the employee (note there are transitional rates in certain circumstances).

Travelling or living away from home. What's the difference when it comes to tax?
Over a year ago, significant changes were made to 'living away from home' allowances to tighten up the rules. But the ATO has a view that not everyone is playing by the new rules.

Part of the problem comes down to defining whether someone is actually living away from home, or just travelling. The ATO is looking closely at Australian taxpayers claiming LAFHAs to make sure they are not incorrectly claiming exempt LAFHA.

If somebody is living in Sydney but travelling to Melbourne every other week for work, they are simply travelling. They may be entitled to travel deductions but cannot claim an exempt LAFHA. If the person relocates temporarily to Melbourne, keeps their home in Sydney for their use (can't be rented out), then it's more likely they can claim a living away from home allowance. You need to double check to get the distinctions right.

Is it possible to salary sacrifice your spouse's car?
It's not all bad news on the FBT front - there are still some opportunities out there. One area we are often asked about is associate leases. An associate lease is where you salary sacrifice the car repayments for an associate's car, for example your wife's car. In effect, your spouse leases their car back to your employer for you to use. This arrangement does not have to be just for new cars, it can work well with existing cars. And, it works best when your spouse is on a lower tax bracket than you or is not earning an income.

While these arrangements sound good because they ultimately reduce the tax paid by the higher earning spouse, they may fall foul of the ATO's anti-avoidance rules. It's important to make sure that the appropriate documentation is in place to support these arrangements and the non-tax reasons for having an associate lease are clear.

School teachers & retail employees beware: In-house benefit rule changes
If your employer lets you salary package the goods and services that they sell, then this is an in-house fringe benefit. Common examples include retailers who provide discounted clothes to employees or private schools discounting school fees for the employee's children.

Back in the 2012/2013 'mini Budget' (the Mid Year Economic and Fiscal Outlook) the Government announced that they would scrap the concessional treatment that applied to in-house fringe benefits. The old treatment allowed employees to only recognise 75% of the lowest publicly available cost of the goods or services reduced by a further $1,000 in their salary sacrifice agreements.

The transition period for this change that allowed people with pre 22 October 2012 salary sacrifice agreements to keep receiving the concession, ends on 31 March 2014. If you are an employer with these agreements in place and you have not reviewed them, you need to do this quickly as it might significantly change the remuneration of your employee. If you are an employee receiving the concessional FBT treatment, you need to understand what the change will mean to you.

Proposed Super Changes

The concessional contribution limit for superannuation will change again from the 1 July 2014. These limits apply for employee contributions, salary sacrificed (pre-tax) contributions and contributions for which you are claiming a tax deduction (Self employed).

Contribution Limits

	To 30/6/14	From 1/7/14
48 or Under on 30/6/14	$25,000	$30,000
49 or Over on 30/6/14	$25,000	$35,000
58 or Under on 30/6/14	$25,000	See Above
59 or Over on 30/6/14	$35,000	$35,000

As a result of the above change, the Non-Concessional Contribution cap will rise from $150,000 for 2013-2014 to $180,000 from 2014-2015. The higher contribution level is not used where bring forward provisions have been triggered before 1/7/12 and 30/6/14.

For those seeking to maximize super contributions, existing arrangements should be reviewed to take advantage of the higher contribution caps.