

Welcome to the March 2016 newsletter, with Christmas a distant memory and Council Elections past, there is only a small window to enjoy the Easter Season before the uncertainty of The Federal Budget and potential election overtake us.

For those who aren't aware, we have another addition to our team. Linda Roberts has joined our bookkeeping team so we hope you get to say 'Hello' when you next visit.

We wish you an enjoyable Easter Period before political antics distract us again.



ATO Correspondence Issues

Since the start of 2015, if you have set up a **myGov** account and linked that account to the ATO, the ATO has been electronically sending its correspondence directly to your **myGov** Inbox, even where your Tax Agent or BAS Agent (if you use one) was the nominated address for the correspondence. In these instances, Agents will not receive a paper copy of the correspondence such as confirmation or reminder notices, Activity Statements, or instalment notices.

Despite pressure from various accounting and bookkeeping representative bodies, the ATO has stated that this change will not be reversed. This is disappointing and counter productive as taxpayers rely on their Tax Agents and BAS Agents to ensure they are complying with their tax affairs. Even extremely time-sensitive documentation, such as Excess Contribution Release Authorities which must be acted upon within short time-frames, are caught up in this change and are being sent to taxpayer Inboxes but not manually to Agents. If you have a myGov account, this is an issue you need to be aware of.

Data-Matching Program for eBay

Online Sales

The ATO has announced that it will acquire online selling data relating to between 15 000 to 25 000 individuals who sold goods and services of \$10 000 or more on eBay between 1 July 2014 to 30 June 2015.

The data will be obtained from eBay Australia and New Zealand Pty Ltd and will include information that enables the ATO to match online selling accounts to a taxpayer, and the number and value of transactions for each account. These records will then be cross-checked with ATO records such as tax returns and Activity Statements in order to identify any non-compliance with income tax and GST obligations respectively.



28 Palmerin Street, WARWICK QLD 4370 ph: 07 4661 4900 fax 07 4661 4911

Email: info@globeaccounting.com.au

FBT 2016: The top 5 things every business needs to know

If your business is in the hospital/non-profit sector and uses salary packaging for team members, you're a small business, or provide team members with a gym or space to do yoga, then there are a few things you need to know beyond the basic FBT changes when the new FBT year starts on 1 April 2016.

1. You will pay more FBT

The Fringe Benefits Tax (FBT) rate is currently 49%. The rate increased from 47% on 1 April 2015 in conjunction with the introduction of the 2% debt tax on high-income earners (Temporary Budget Repair Levy). The FBT year that is just ending is the first year at the higher tax rate - which means if you have an FBT liability, you will pay more tax. The FBT rate will stay at 49% until 31 March 2017 when the impact of the debt tax is scheduled to be removed.

2. Meal entertainment crackdown – medical professionals beware

If your business is an FBT exempt entity or qualifies for the FBT rebate, then there are significant changes that come into play on 1 April you need to be across.

In the past, employees of FBT exempt and rebatable entities have been able to salary sacrifice an unlimited amount of meal entertainment expenses (e.g., restaurant meals) with no impact on their existing annual caps. But, this will all change on 1 April 2016. From this date, a separate single grossed-up cap of \$5,000 for salary sacrificed meal entertainment benefits for employees of exempt and rebatable employers will apply.

To give you some idea of the impact let's look at the example of a doctor employed by a public hospital who salary sacrifices \$32,000 of meal entertainment benefits. If the doctor salary sacrificed these benefits in the 2015-16 FBT year, the full \$32,000 would be exempt from FBT and he has nothing to report in his tax return. If the doctor salary sacrifices these benefits in the 2016-17 FBT year, then the first \$5,000 will not count towards their annual exemption cap. However, the balance will be taken into account in determining whether the employee exceeds their exemption cap for the year. If this excess amount causes the employee to exceed their annual exemption cap then an FBT liability will arise. The entire amount (including the first \$5,000) will also be included in their reportable fringe benefits amount for the year, which could impact on their ability to satisfy other income based tests within the tax system.

It is essential to review existing salary packages of employees affected by the changes as someone will be paying the extra FBT that arises as a result of the new cap being introduced.

3. Salary sacrificing may not be worth it

By now you should have reviewed any salary sacrifice agreements to ensure that they are still viable at the higher 49% FBT rate. In some cases, salary sacrifice agreements may no longer achieve the intended goals and simply create an administrative burden for little to no benefit.

For high income earners (above \$180k) however, the difference in timing between the FBT year and the income year means that there will be a planning opportunity between 1 April 2017 when the FBT rate reduces back to 47% and 30 June 2017 when the 2% debt tax is removed.

With any salary sacrifice agreement just be aware that certain rules must be followed. For example, the appropriate documentation needs to be in place to ensure that the arrangement is 'effective'. This means that the employee should agree in writing to forgo an amount of salary and wages *before* that entitlement has been earned. If it's after, it's not valid and the employee will simply be taxed on that amount. The business would also be liable for obligations such as PAYG withholding and superannuation guarantee amounts.

4. Two laptops are better than one for small business

If your business is a small business (turnover under \$2m), from 1 April 2016 the FBT exemption on portable electronic devices will be extended. From this date, you can offer employees more than one work-related portable electronic device, such as a mobile phone, laptop and tablet and not have to pay FBT on it even if the device is the same or similar to other devices already provided in that same FBT year. All other businesses are limited to one device that is identical or similar to another.

5. Yoga or gym classes at the office?

Wondering what to do with that extra office space? Put in gym facilities for the team? Use a room for a yoga class or personal trainer perhaps? A recent ATO decision confirmed that the FBT implications of these two options are quite different. The reason is the definition of a "recreational facility." A recreational facility is exactly that, a facility for recreation. Recreational facilities can be exempt from FBT if certain conditions can be met. However, a fitness class or a personal trainer is not a recreational facility and therefore, FBT would generally apply.

Ups & Downs: Facing uncertain times

How do you create certainty in uncertain times? Much of what we do personally to grow and protect our wealth, and commercially for the businesses we manage is subject to unpredictability and change.

The answer is that there are no certainties in life - sorry about that. But, this doesn't mean that you can't take charge and protect against uncertainty - you just need to know where and how to look at it.

Where we are at

Government spending will continue to be a focus this year with the interest on Government debt now running at \$1 billion per month according to Treasury. There are only a few ways the Government has of dealing with the increasingly ominous debt trend; initiatives to lift productivity and growth to boost tax revenues, spending cuts, and increased taxes or a reduction in tax concessions.

Bear in mind the impact of Government policy. Negative gearing currently costs more than Australia's defence budget. It's likely to be cut back or grandfathered out of existence at some point.

Extensive reforms introduced to Parliament pre-Christmas will **change the structure of childcare subsidies** to consolidate the current system of multiple subsidies to just one. The new subsidy will be income and activity tested. While these reforms will not take effect until 2017 (assuming they pass Parliament) it's important to understand that change is coming and its impact on you.

In general, if you currently receive family tax benefits and your household income is getting towards the upper threshold limits, you should do a quick check and see if you can still cover your expenses if any benefit payments you currently receive were removed. Further reforms to refocus benefits to lower income families are likely.

YOUR BUSINESS

Look at the trends and opportunities

Many of the 'dramatic' changes that impact on mature business models - online retail vs traditional retailers, the shift from paper publishing to online publishing, the demise of packaged electronic products on shelves to download delivery, or for example, the impact of Uber on taxi services - were reasonably predictable. There were recognisable indicators for each of these changes well before they had a direct impact on Australian businesses. Online retailing existed decades before denting bricks and mortar retail sales in any recognisable way, and as soon as faster internet speeds enabled quicker downloads the packaging and B2B sale of most electronic products became unnecessary. Tech company Uber started in 2009, spreading exponentially around the world well before it launched in Australia in 2014. If anything, Uber proves that the foundation of any industry can be shaken dramatically in less than a few years. In many cases, these 'disruptive' businesses offered something to consumers not reliably fulfilled by the existing market - efficiency, access, range, and importantly, greater consumer control not just acceptance of what is on offer. As business operators, it's important to constantly assess the impact of trends on our current business and product range and work toward the 'what ifs'. Trends also exist in Government policy and can have a positive or negative effect on your business. At present, the Government is firmly focussed on boosting business productivity and investment. There are a wide range of incentives to stimulate spending and the entrepreneurial spirit:

- **Crowd funding** – funding is difficult for entrepreneurial start-up businesses in Australia. New frameworks are currently being developed to formalise crowd and other funding sources to encourage investment opportunities beyond bank finance.
- **Employee share schemes (ESS)** – new rules introduced last year bolster the tax benefits for employees of ESSs and provide special concessions for start-ups. Further changes should follow shortly.
- **Accelerated depreciation** – small business and primary producers can access a range of concessions that enable them to offset expenses in the same year as the expense – rather than depreciating the expense over time.
- **Tax relief for restructures** - changes to be introduced this year should allow small business to change their business structure without the risk of triggering CGT and other income tax implications. So, it is a good time to check whether your structure is right for your long-term business plans.

Your Superannuation

There is almost no doubt that the current raft of concessions available to superannuation will change. To lock in your access to the current concessions, you should focus on maximising the tax-free component of your superannuation. If you haven't already, come and see us to have a chat as there are different strategies that can be utilised depending on your situation.

SMSF and related party loans

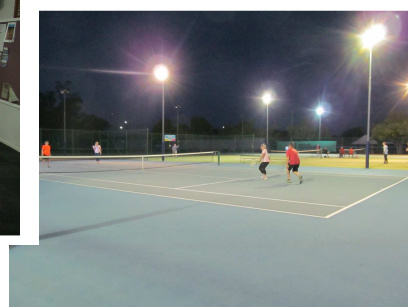
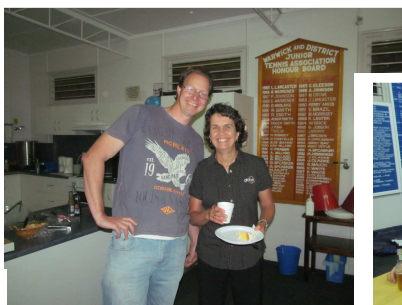
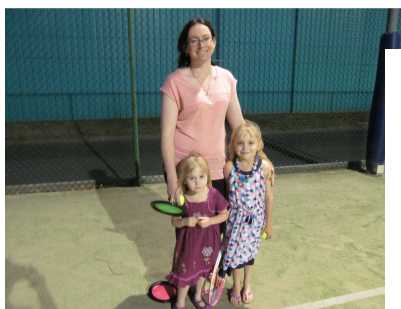
The ATO is looking closely at related party loans in SMSFs. If your fund has borrowed money from a related party, for example a member of the fund, to acquire an asset and the terms of that loan are not at arm's length or well documented, then you need to get the paperwork and the loan terms in order ASAP. While the ATO have stated that they are not necessarily looking at arrangements before the 2014-15 income year (unless it comes up in audit), you can expect a much closer scrutiny from now on.

Super and Social Security

The social security income test tightened on 1 January 2016 for superannuants. If you receive defined benefit income from your superannuation, a larger portion of this income will now be taken into account when applying the relevant social security income tests - capping the proportion of income that can be excluded at 10%. This affects aged care fees, income support payments, the Low Income Health Care Card, etc.

Further reforms which come into effect on 1 st January 2017 will further impact on Age Pension entitlements. There may be opportunities to reduce any negative impact of these reforms over time, but time is running out.

Globe Social Photos - Tennis Night



Quote Of The Month - "Things don't have to change the world to be important." Steve Jobs

