Newsletter

GLOBE ACCOUNTING PTY LTD

"*Helping you achieve your business goals*"

April 2013

Hello and welcome to our April 2013 Newsletter

As we are fast approaching the end of the 2013 financial year it is time to consider your options regarding your taxation position as at the 30th June 2013.

We encourage our business clients to come in and discuss their situation and have a set of partials prepared. Please feel free to telephone our office and make an appointment prior to June.

Our staff are currently working hard on your March 2013 BAS returns. These are completed in the order that they come into our office, so we encourage you to bring in your BAS no later than one week before the due date. This will ensure completion and lodgement on time.

Please feel free to contact this 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 welcome our new clients on board and look forward to working with you in the future.

We also sincerely thank our existing clients for your continued support and patronage, we do not take it for granted.

You will have received an invitation to take up Audit Insurance. If you are definitely not interested in this Insurance, please return the form, requesting not to be offered this Insurance again, and we will ensure you do not receive future letters regarding this service.

From Pauline, Peter and the team

2013: the year ahead

For business

No age limit for super contributions
From 1 July 2013, the upper age limit for superannuation contributions will be abolished. Employers will be required to contribute to the complying super funds of eligible mature age employees aged 70 and older.

Payslip reporting of super payments

From 1 July 2013, employers will need to provide additional information about superannuation contributions on an employee's payslip. Employers will need to report the amount and expected date of contributions that will be made.

Building and construction industry reporting

A new reporting regime came into effect on 1 July 2012 requiring businesses in the building and construction industry to report payments to contractors. The first of these reports is due on 21 July 2013. Businesses affected by the reporting regime need to report the contractor's ABN, name, address, gross amount paid for the financial year, and total GST included in the gross amount.

The best way to buy

New rules that came in on 1 July 2012 provide significant tax advantages for small business. The new rules mean that, in some cases, a small business can claim the whole amount of the asset purchased as a tax deduction in the year of purchase. Normally, assets purchased in a business are depreciated over a number of years, or their effective life.

To access these simplified depreciation rules the entity needs to be in business (so, is trading rather than just holding investments) and, has an aggregated annual turnover of less than $2 million. Bear in mind that the aggregated turnover test not only looks at your turnover but the turnover of any entities connected to you, such as a trust.

Buying assets under $6,500

If your business qualifies as a small business and can access the simplified depreciation rules, any depreciating assets you purchase below $6,500 can be written off in the year of purchase. If your business is registered for GST the $6,500 is GST exclusive, if not, the $6,500 is the GST inclusive amount.

Buying motor vehicles

If you need to buy a motor vehicle you can claim an immediate deduction for the first $5,000 on a new or second hand vehicle purchased from 1 July 2012. The balance of the vehicle's cost price is depreciated at 15% in the first year, and 30% each year after that.

A motor vehicle is any motor powered on-road vehicle including four wheel drives. Graders, tractors, harvesters etc., don't qualify as their primary purpose is not on public roads.

Limits apply to the deduction you can claim for the vehicle you buy. If it's a luxury vehicle, regardless of how much you paid, the cost for depreciation purposes is reduced to $57,466 - the luxury car limit.

Before you go on a spending spree….

Before going on a spending spree it's important to take a look at the cash flow of the business.

Know your cash position and whether or not you have sufficient cash reserves to commit funds to capital purchases. If not, you may need to finance the purchase. Never purchase an asset simply for the tax benefit. Buy what you need to operate your business and manage your purchases to achieve the best tax outcome.

Give us a call before you buy new assets for your business. We can help you achieve the best outcome.

General Environment

Banks and lending

We're already seeing signs that the mining boom is slowing and along with it, the capital spending boom. Unemployment is rising marginally and while there is employment growth, it is weak. It's not all doom and gloom though with low interest rates feeding growth. However, banks will still be picky about who they lend to and are sensitive about reliability. In 2013, you will need to ensure that you have a good relationship with the bank. Don't let problems get out of control or they might just shut you down before you have a chance to try and talk them around.

Tax Office Debt

The Tax Office is getting more demanding in their debt recovery efforts. If you owe the Tax Office money, be pro-active and compliant, is our advice.

The Tax Office currently wants 20% up front and regular payments in addition to future BAS's lodged and paid on time.

For individuals

Super guarantee increases

On 1 July 2013, the first of the proposed incremental increases to superannuation will come into effect. The change will lift the superannuation guarantee rate to 9.25% for the 2013/2014 financial year. The super guarantee rate is then proposed to increase every year until reaching 12% on 1 July 2019.

Paid parental leave for Dads

New paid parental leave for Dads comes into effect on 1 January 2013 providing two weeks of Government funded pay. The paid parental leave applies if the Dad or partner (including same sex couples) is an Australian resident, meets the work test, has an adjusted taxable income of $150,000 or less, and is on unpaid leave or not working during the two weeks.

For your super fund

Focus areas

With $458,451 million tied up in Self Managed Superannuation Funds (SMSFs), it is not surprising that the Tax Office takes an active interest in this area. 2013 will see an even greater focus on ensuring that the assets of superannuation funds are kept separate from their members until they retire. There is a lot you can do with your superannuation and through a superannuation fund but you need to understand the rules.

For SMSFs, property investment using Limited Recourse Borrowing is a major area of focus. If the purchase of the property is not structured correctly, trustees may be forced to sell the asset.

The value of assets contributed to superannuation is another area the Tax Office is sensitive about. Earlier this year, the Tax Office released final valuation guidelines on how superannuation fund assets must be valued. These guidelines require fund assets to be valued at market value and apply now. In 2013, you can expect to see a greater focus and enforcement of these valuation rules.

Off market transfers

An off market transfer is when assets from a related party are transferred to or disposed of by a SMSF outside of the underlying market. For example, when a trustee transfers shares directly to a SMSF - instead of the trustee disposing of the shares on the market and then the SMSF purchasing the shares. A ban on off market transfers was due to come into effect on 1 July 2012 but delayed until 1 July 2013. From this date, all acquisitions and disposals of assets between SMSFs and related parties must be conducted through that market, or if no market exists, must be supported by a valuation from a suitably qualified independent valuer. The big question in 2013 is, when we see the final detail of the ban, what assets will be covered.

On the fringe: top FBT myths & opportunities

Fringe benefits tax (FBT) exists to ensure that employees are not getting income disguised in another form and avoiding income tax. But such a broad concept has its problems. With the FBT year ending on 31 March, it's a good time to explore the myths and realities of fringe benefits and why so many employers get it wrong.

Myth 1 Motor Vehicles

You don't pay FBT on company cars. As soon as your team start taking the company car home at night, use it to travel to and from work, use it on weekends, or generally use it for their own purposes, then FBT will apply. Even if the team member doesn't actually use the car on weekends and it stays in their garage, the fact that it is available for their use would generally mean that FBT applies. Similarly, if the place of business is the same as your place of work, fringe benefits tax generally applies.
FBT also generally applies to road tolls paid by the business and incurred by team members travelling to and from work, or when travelling for private purposes.
The ATO has recently announced a new data matching program for high value vehicles. We presume they are trying to identify luxury vehicles within business where no FBT has been declared on their use.

Myth 2 Directors

FBT does not apply to directors who are also shareholders. If you receive benefits in connection with your role as a director then the FBT rules treat you just like any other employee. If you take a company car home or one is available to you, then FBT applies. If you don't pay for the business' products and services that you use or pay a discounted rate, then FBT applies. Don't forget, even though you might own the company, if you are employed by the company, then the same rules apply to you.

Myth 3 Staff benefits

You don't pay FBT if something is salary packaged. While salary is not subject to FBT, additional benefits such as health insurance packaged into an employee's salary can trigger FBT. This is even in industries where employees are required to undergo medical testing. In fact, pretty much anything given to staff with a value of $300 or more is likely to incur FBT. There are a number of exceptions but these are very limited.

Myth 4 Loans

Advances and loans given to staff don't incur FBT. Let's say an administrative error means that a team member has been overpaid by quite a large amount for the last 12 months. The employee can't afford to repay the whole amount in one go so a repayment plan is agreed to. No interest is charged as it wasn't the employee's fault and this wouldn't be fair. The ATO would consider the overpayment a loan. The fact that no interest is being charged means that FBT would apply. Loans need to be charged interest of at least the ATO's published interest rate to avoid paying FBT. The ATO's published rate for 2012-13 is 7.40%.

Myth 5 Meals

Meals provided to employees are not subject to FBT. While there are some exceptions that apply to meals provided to employees, there are many situations where the provision of food and drink to an employee or their associate is subject to FBT.

The risk of FBT applying increases when you are entertaining, rather than just providing sustenance. For example, food and drink provided at a social function or in a restaurant generally has the character of entertainment and will normally be subject to FBT.

The main exceptions from FBT in relation to food and drink are where the meal is consumed by an employee while travelling for business purposes or where the meal is consumed on the employer's business premises (for example, a working lunch in the office). Food and drink provided to employees and their associates at a Christmas party or other special occasion can be exempt from FBT if the cost per head is under $300.

The advantage of having food and drink being subject to FBT is that the costs are generally deductible and GST credits can be claimed. Food and drink that gives rise to entertainment but is not subject to FBT is not deductible to the business.