



BUSINESS & TAXATION BULLETIN

AUTUMN 2020

■ REPORTS ■ NEWS ■ ANALYSIS

dfk**kidsons**
LEADING ACCOUNTANTS AND BUSINESS ADVISERS

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North Cairns & Melbourne

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IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.

DFK KIDSONS PARTNER GROUP



BRIAN Woods

Partner CPA

Financial & Business Advice

Delivering value through future-focused advice, service & relationships.

Leading our Cairns office, Brian Woods works with commercial, community and government agency clients to deliver expert financial and business advice focused on business improvement, risk management and ongoing professional service.

Brian believes in future-focused business partnership and relishes the opportunity to contribute to client success.

Brian has over a decade of experience in leadership with DFK Kidsons and a strong portfolio of long-term client relationships in areas such as financial and business advice, accounting services, investigations, administrations and change management.



ROBERT Wernli

Partner CA

Driving Business Improvement

Assurance partner driving business improvement.

Managing Partner of our Melbourne office, Rob Wernli engages with private corporate, government, association, union and not-for-profit sector clients, providing professional external audit and assurance services that go beyond the demands of statutory compliance.

Rob's broad-remit audit and assurance practice focuses on building lasting client partnerships through business advisory and guidance services covering corporate governance, statutory reporting, risk assessment and management, probity, accounting standards and business improvement.



MICHAEL Port

Partner CA

Business Services & Taxation

Practical value, professional expertise & hands-on delivery.

As Partner in our Melbourne office, Michael Port leads an audit, accounting and consulting practice providing ASX listed clients with a range of accounting and advisory services based on his considerable expertise and experience in external audit, recognising the particular challenges that listed entities face.

Michael also works with small, medium and large scale private businesses and not-for-profit organisations providing specialist external audit service and business advisory in governance, compliance, accounting standards, financial report preparation and advice on industry regulation and trends.

PROPOSED STIMULUS PACKAGE HERE'S WHAT WE KNOW

You'd have seen by now the governments proposed stimulus package, set to pump billions into the economy in an attempt to avoid a recession as businesses take a hit from the spread of COVID-19.

There are certainly positive opportunities for businesses to help them through this uncertain time, despite this we would still advise clients to wait until parliament passes the legislation before proceeding with a large capital purchase in anticipation of getting the accelerated depreciation rates.

If you missed it, here's a breakdown:

ASSET PURCHASE WRITE OFFS

Instant asset write off scheme

Threshold increased from \$30k to \$150k. Turnover threshold for eligible businesses increased from \$50m to \$500m. The instant asset write-off scheme will operate from 12 March 2020 until 1 July 2020.

Faster depreciation

Businesses with turnover less than \$500m can claim a 50% first year deduction from 12 March 2020 until 30 June 2021 for new asset purchased. If a business is eligible to use the instant asset write off, they would use that in the first instance, otherwise they would use the accelerated depreciation rules if eligible

CASH FLOW ASSISTANCE FOR BUSINESSES

- Businesses with turnovers up to \$50m and who have staff will be eligible for tax-free payments equal to 50% of PAYG withheld from salaries and wages, with a minimum of \$2,000 and a maximum of \$25,000 over six months. Businesses that pay salary and wages but are not required to withhold tax will also receive \$2,000. The ATO will deliver the payment as a credit upon lodgement of their activity statements. Where this places the business in a refund position, the ATO will deliver the refund within 14 days.
- Small business employers can apply for a wage subsidy of 50% of an apprentices or trainees wage for the period 1 January 2020 to 30 September 2020.
- The Government is also offering administrative relief for certain tax obligations, including deferring tax payments up to four months. This is similar to relief provided following the bushfires for taxpayers affected by the coronavirus, on a case-by-case basis.

INDIVIDUALS

- One-off payment of \$750 to social security, veteran and other income support recipients and eligible concession cardholders to support. Over 90% of payments will be made by mid-April 2020.

SUPPORT FOR REGIONS & COMMUNITIES

- Support for regions and communities
- Initial \$1b allocation to support those regions and communities that have been disproportionately affected by the economic impacts of the coronavirus – including those heavily reliant on tourism, agriculture and education.

This will include the waiver of the Environmental Management Charge for tourism businesses that operate in the Great Barrier Reef Marine Park and the waiver of entry fees for Commonwealth National Parks. It will also include additional assistance to help businesses identify alternative export markets or supply chains.

It's important to remember that these are yet to pass parliament and although Labour has announced they will support these measures, it's best to wait until it's signed sealed and delivered.

We will provide any updates as they happen and once approved, work to find ways to help your business maximise these opportunities and come through this turbulent period stronger.

If employers come forward and make their payments after 24 May 2018 and before 11:59PM 7 September 2020, it will be tax deductible.

SUPERANNUATION GUARANTEE AMNESTY



As of 6 March 2020, the government has introduced a superannuation guarantee amnesty.

Employers who have already disclosed unpaid super guarantee charges to the ATO between 24 May 2018 and 6 March 2020 won't need to apply or lodge again, however if you come forward from 6 March 2020, you will need to apply for the amnesty.

As the ATO will continue to conduct audits in order to identify employers not paying super guarantee, if you get identified before you come forward, then you will not be eligible for the benefits of amnesty and will also be required to pay:

- Super Guarantee shortfalls
- Nominal interest of 10%
- Administration charges of \$20 per employee per quarter
- Part 7 penalty which is up to 200% of the super guarantee charge.

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HELPING EMPLOYEES IN EMERGENCIES & FBT



When a business provides employees with non-work related benefits such as hotel accommodation or transport, these costs would usually be subject to Fringe Benefits Tax (FBT). However, an exemption from FBT applies for certain types of benefits when an employee has been affected by an accident, serious illness, armed conflicts, natural disasters or civil disturbances.

A business can provide emergency first aid or healthcare, provision of food, accommodation and transport of a temporary nature, to an employee and these non-cash benefits will be exempt from FBT.

The benefits provided must be short term in nature and the exemption does not apply to the provision of long term benefits such as a new house or car.

TAX DEFERRALS EXTENDED DUE TO BUSHFIRES

The ATO has granted taxpayers who have been impacted by the recent bushfires a further extension of lodgement and payment of tax obligations until 28 May 2020.

The deferral includes income tax, activity statements, SMSF and FBT Returns. If you are located in one of the specified postcodes in New South Wales, Queensland, South Australia, Victoria or Tasmania which were directly impacted by the fires, the deferral has been automatically granted.

MY BUSINESS HEALTH

The Australian Small Business and Family Enterprise Ombudsman has launched a new website called 'My Business Health.'

The website covers many topics pertinent to small businesses such as cashflows, debt collection, business relationships, health & safety, planning and registrations.

The toolbox provides links to other government bodies or organisations that can assist your small business.

The website can be accessed at www.asbfeo.gov.au/my-business-health.

GIC & SIC RATES

The ATO has published General Interest Charge (GIC) and Shortfall Interest Charge (SIC) rates for the third quarter of the 2019-20 income year.

The GIC annual rate for January – March 2020 is 7.91% and the SIC rate is 3.91%.

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FRINGE BENEFITS TAX YEAR END 31 MARCH 2020

The Fringe Benefits Tax year will end on 31 March 2020 and it is important that every business reviews any non-cash benefits provided to employees or their associates during the previous twelve months.



In order to familiarise you with common fringe benefits, we have listed them below:

- **MOTOR VEHICLES** – This is the most common fringe benefit and arises where an employer's car is used by an employee for any private purposes, notwithstanding that the vehicle is also used for business purposes.
- **CAR PARKING BENEFIT** – FBT liability arises where a car is parked on business premises that is within 1 kilometre of a commercial car parking station. An exemption applies to small businesses with gross ordinary income of less than \$10million and the car is not parked in a commercial parking station.
- **EXEMPT BENEFITS** – There are a variety of benefits which are FBT free, if they are primarily used for business purposes including portable electronic devices, protective clothing, a briefcase and tools of trade.
- **MINOR FRINGE BENEFITS** – Minor and infrequent benefits of less than \$300 are exempt from FBT
- **IN-HOUSE BENEFITS EXEMPTION** – Allows the employer to reduce the taxable value of in-house benefits by up to \$1,000 per employee per year.
- **MEAL ENTERTAINMENT ON EMPLOYER'S PREMISES** – Food and drink provided to employees on ordinary working days are FBT exempt

- **MEAL ENTERTAINMENT NOT ON EMPLOYER'S PREMISES** – Generally, all meal entertainment provided to staff outside of business premises are subject to FBT.
- **EXPENSE PAYMENT BENEFIT** – This is where an employer pays or reimburses private expenses incurred by employees. e.g. school fees; private telephone bills; rates and land taxes; life and health insurance premiums etc. All these payments would be subject to FBT.
- **PROPERTY BENEFITS** – These arise when an employee is provided with property (e.g. stock) for free or at a discount.
- **THE 'OTHERWISE DEDUCTIBLE RULE'** – In most cases, where the employee would have been allowed a 'once only' tax deduction for the expense if they had paid it themselves, then the taxable value is reduced by its deductible portion.

GET YOUR MYGOVID & RAM NOW!

A reminder that the AusKey system is being retired in March 2020.

The new identification products are myGovID and RAM which are now up and running, so register under the new system as soon as possible.

DFK ANZ FEATURE ARTICLE IT'S EASY TO GET CAUGHT OUT BY THE FRINGE BENEFITS TAX

by Robert Pestana CA

GOOD RECORD KEEPING WILL KEEP YOU OUT OF TROUBLE

An area highly targeted by the ATO for audit, it's always a good time to look at the fringe benefits you provide your employees and with the Fringe Benefits Tax (FBT) year-end of 31 March 2020 fast approaching, you need to ensure your records are in perfect order.



In this article we're going to focus on the two most common benefits provided by employers to employees being Car and Meal Entertainment.

It's Important To Remember:

■ FRINGE BENEFITS TAX (FBT)

FBT is a tax paid by employers on certain benefits they provide to their employees, their employees' family or other associates.

■ THIRD PARTY AGREEMENTS

FBT can even apply if the benefit is provided by a third party to the employee under an agreement with the employer.

Car Fringe Benefits

Employers may be providing a car fringe benefit if they make available a car they own or lease to an employee for their private use. A car is taken to be available for the private use of an employee on any day that the employee or their associates use it, or are allowed to use it for private purposes.

If a car is garaged at or near the employee's home, it's taken to be available for their private use regardless of whether or not they have permission to use the car privately.

There are some vehicles, including panel vans, taxis and other commercial vehicles (with a one tonne capacity or more) that may be exempt from FBT provided that the private use is limited to:

- Travel between home and work; and
- Other private use which is minor or infrequent.

There are 2 different methods for calculating FBT on Car fringe benefits being the Operating Cost method and Statutory method. You can choose which method to use on an individual car basis each year and can switch between the methods each year.

Operating Cost Method

FBT is calculated under the Operating Costs method by taking the total operating costs of a car which includes actual costs, such as fuel, repairs, registration and insurance, and deemed costs, including depreciation and interest and multiplying it by the private usage of the car.

The operating costs method can only be used if there is a valid 12-week logbook for the car. A valid logbook is valid for five years from when it is created. When the five year period is finished, a new logbook is required to continue to use the Operating Costs method for the car.

Statutory Cost Method

The Statutory method is a simplified way to calculate FBT for car fringe benefits when compared to the Operating Costs method.

FBT is calculated under the statutory method by multiplying the cost of the car by the applicable statutory percentage multiplied by the percentage of the FBT year that the car was used or available for private use. The cost of the car is inclusive of GST and any luxury car tax paid. For the statutory method, the cost of the car is reduced by one third after it is owned or leased by the employer for 4 full FBT years.

Meal Entertainment Fringe Benefits

Meal Entertainment is confusing, in part, because it can be difficult to determine what is (and what is not) entertainment. This determination will have FBT, income tax and GST implications as the treatment of 'entertainment' expenses are often different to 'non-entertainment' expenses.

An employer provides meal entertainment fringe benefits where the employer provides, pays or reimburses expenses for entertainment by way of food and drinks and associated travel and accommodation costs to employees and their associates. The ATO Commissioner has provided 4 key factors to consider in determining if the provision of food or drink has the character of meal entertainment.

- A: **WHY** is the food or drink being provided?
- B: **WHAT** type of food or drink is being provided?
- C: **WHEN** is the food or drink being provided?
- D: **WHERE** is the food or drink provided?

Below is a list of some situations that would typically not fall under meal entertainment

- Sandwiches, muffins and fruit consumed during a work meeting on business premises
- Tea and coffee provided for on-going consumption on business premises
- A light meal and drink consumed on business premises while working overtime (can include sandwiches, pizza, take away food and soft drinks)

After reviewing all entertainment by way of food or drink and determining if there was meal entertainment provided, the employer must choose which valuation method to use:

- Actual method
- 50/50 method
- 12-week register method

The vast majority of employers use either the actual or 50/50 method as there are onerous compliance obligations on using the 12-week register method.

The valuation method chosen must be applied to all the meal entertainment for the FBT year and will have income tax and GST effects.

Actual Method

Under the actual method, FBT is payable on the meal entertainment that relates to employees and their associates. This means that FBT is not payable on meal entertainment provided to non-employees, including clients and suppliers. The employer can use either of the following methods to work out the split:

- The exact cost attributed to each employee or associate; or
- A 'per-head' apportionment.

An advantage to using the actual method is that a number of exemptions can be used, with the major one being the minor benefit exemption. The minor benefit exemption applies to benefits of less than \$300 including GST per employee per benefit provided the benefit is provided infrequently and irregularly. This has the potential to exclude a number of different benefits which would have been captured under the 50/50 method. A number of other exemptions can also only be applied under the actual method.

50/50 Method

If an employer chooses to use the 50/50 method, 50% of the meal-entertainment is included for FBT (and is also tax deductible and GST can be claimed) and the remaining 50% is excluded for FBT, non-deductible for tax and GST cannot be claimed.

The main advantage of using this method is its simplicity, as detailed records of all meal entertainment is not required. The main disadvantage of using the 50/50 method is that the exemptions available for the actual method, including the minor benefit exemption are not available.

Our Advice – Keep Good Records

The most important advice we give clients in regards to providing employees any fringe benefits is to ensure you keep excellent records and to always keep us updated so we can assess the impact to your FBT and to make sure its covered in your returns.

The 2020 FBT tax return is due for lodgement by 25 June. If there is any tax payable it must be paid by 28 May 2020.

As FBT is a very complicated area of tax, if you are unsure of how it applies to your business, give us a call and we will be happy to assist.



NEW SUPERANNUATION LEGISLATION **EFFECTIVE JANUARY 1 2020**

Effective as of January 1 2020, the new Super legislation means an employee's 9.5% super guarantee is now calculated on their ordinary time earnings (OTE), i.e. earnings before salary sacrifice, therefore resulting in more superannuation paid to the employee.

Prior to this change, if an employee salary sacrificed a portion of their wage into Super it reduced their taxable salary and meant their 9.5% super guarantee was calculated based on the lower earning total after salary sacrificed amount.

We suggest that employers double-check their superannuation guarantee calculations from 1 January 2020 (whether that be your own manual calculations or those prepared through an accounting program such as Xero or MYOB) to ensure that you are meeting your superannuation obligations.

Any questions or concerns, contact DFK ANZ.

ATO EXTENDS REACH: **FIVE YEAR INCREASE TO INSURANCE POLICY DATA**

The ATO has announced following the success of its lifestyle assets data-matching program that it will be requesting a further 5 years of insurance policy data.

Currently the program has data for the 2013-14 and 2014-15 financial years. The ATO is expected to request the insurance policy information from the 2015-2016 to 2019-2020 data.

The insurance policy data gives the ATO information on around 350,000 high-wealth taxpayers from over 30 insurers, related to assets including:

- Marine vessels over the value of \$100,000
- Motor vehicles over the value of \$65,000
- Thoroughbred horses over the value of \$65,000
- Fine art over \$100,000 per item
- Aircraft over the value of \$150,000

Deputy Commissioner Deborah Jenkins said "knowing who owns these lifestyle assets such as private jets and yachts helps the agency get a more complete picture about the actual financial situation of taxpayers as compared with what is reported on tax returns."

Ordinary taxpayers should also beware, with many likely to get caught up in the ATO's extended net.

For example, the ATO will now receive data on all cars insured with a value of \$65,000 or more, which will bring in quite a few higher-end utes and four wheel drives.

Our advice – If you suspect you may come into the ATO firing line, speak with your accounting professional now.

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DFK ANZ FINANCE ARTICLE

EIGHT THINGS YOU NEED TO DO BEFORE MAKING AN OFFER ON A PROPERTY

by Frank Schiraldi CA

YOU'RE READY TO HIT THE MARKET

But before you begin, there are a few things you can do to ease some of the stress of buying, and ensure your offer gets accepted first time. Do your research.

Show Them the Money

The earlier you begin the process of approval for your home loan, the better.

I highly recommend getting pre-approval before you even start your property search to confirm your absolute maximum price – so you don't fall in love with a property that's out of your reach.

The Biggest Financial Commitment of Your Life

This message is especially important now with banks tightening their lending policies because of the Financial Services Royal Commission.

Gaining pre-approval can reduce the risk of issues during the settlement stage.

If you've jumped the gun and made an offer, you risk not meeting the finance clause and potentially losing your deposit.

The Level is in the Detail

With lenders exercising more due diligence, be armed with as much detail as possible, particularly about your living expenses.

Where lenders were previously satisfied to make estimations on outgoings, they now want to see documented proof of spending.

Make sure your pay slips and tax returns are up to date, but most importantly, carefully review all your expenses.

Knowledge is Power

Do as much research on comparable sales and offerings in the area as possible so you 'know where value sits'.

Know what competition (for the property) is on the market which you can always cite (to the agents) as an alternative to the place you're looking at.

Let's Get This Straight

'Rules of Engagement', which will influence your offer. Will the agent simply go back and forth, hold a boardroom auction or is it a best-foot-forward situation?

Asking the question and getting a clear understanding of their preferred process is really important.

Keeping it Real

Support your offer with genuine reasons how you arrived at that figure. This helps the agent create some context to the owner when they present your offer.

It makes it just that little bit more 'real'.

Too Low – Off You Go

In a softer market, buyers may be tempted to be bolder and put in a lower offer. But this may get a vendor's back up.

Low-balling may offend a vendor and result in the owner becoming reluctant to negotiate off their price at all.

At the very least, you would like a counter-offer to start a negotiation process.

Not Too Shy, Now

Make your intentions clear, otherwise the agent may not come back to you if the vendor gets what they consider a good enough offer.

There's a fine line between not seeming too eager and making it clear you want to be kept in the loop.

And too often, buyers don't ask the obvious question: "Just ask them: 'what will buy this property?'"

The Path of Least Resistance

The fewer conditions attached to your offer the better.

Get your pre-approval sorted and know your limit. Making it subject to finance significantly weakens your offer, particularly if you are competing with another buyer.

I recommends buyers speak to the agent first about the vendor's ideal settlement terms, ideal deposit and to not be tempted to try include too much in the offer, such as chattels that may have appealed to you.

UPCOMING KEY DATES & DEADLINES

21 MARCH	February 2020 Monthly Activity Statement due for lodgement and payment.
31 MARCH	2019 Income Tax Return due for individuals and trusts whose latest return resulted in a \$20,000 or greater tax liability.
31 MARCH	2019 Income Tax Return due for lodgement and payment for companies and super funds with a turnover of greater than \$2 million unless required to lodge earlier.
31 MARCH	End of 2020 Fringe Benefits Tax Year.
21 APRIL	March 2020 Monthly Activity Statement due for lodgement and payment.
21 APRIL	Quarterly PAYG Instalment Activity Statement due for lodgement and payment for head companies of a consolidated group.
28 APRIL	Superannuation Guarantee Contributions due for payment for January – March 2020 quarter.
15 MAY	2019 Income Tax Return lodgement required for all entities not required earlier. Companies and super funds required to pay 2019 Income Tax.
21 MAY	April 2020 Monthly Activity Statement due for lodgement and payment.
25 MAY	January – March 2020 Business Activity Statement due for electronic lodgement and payment.
28 MAY	Payment required for 2020 Fringe Benefits Tax Return.
5 JUNE	2019 Income Tax Return lodgement for all entities who are non-taxable or due a refund in prior and current year.
5 JUNE	2019 Income Tax Returns for individuals and trust due for lodgement and payment if not lodged earlier.
21 JUNE	May 2020 Monthly Activity Statement due for lodgement and payment.
25 JUNE	2020 Fringe Benefits Tax Return required for lodgement.
30 JUNE	Payment of all superannuation contributions prior to this date to be considered 2019-2020 contributions.
30 JUNE	End of 2020 Financial Year.

DFK KIDSONS – NORTH CAIRNS & MELBOURNE

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK Kidsons.

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