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hoffmankelly CHARTERED ACCOUNTANTS

hk update

SUMMER | DECEMBER 2016

Single Touch Payroll

A new 'Single Touch Payroll (STP)' regime will come into effect for employers from 1 July 2018. It will require that 'substantial employers' (businesses with 20 or more employees) will be required to automatically provide payroll and superannuation information to the ATO at the time the information is created.

For most businesses, this will allow employers to automatically report information that is already produced as part of their payroll processes. The ATO anticipates that STP will be reported using Standard Business Reporting (SBR) enabled software.

Information that will be reported to the ATO through STP include:

- Ordinary Time Earnings & Salary or Wages
- Withholding Amounts and associated Withholding Payments
- Superannuation Contribution Information

STP reporting of payments will be due 'on or before' the date the amount is required to be withheld, this is usually at the time the employer makes the payment to the employee. In order to leverage off the employer's payroll processes, the ATO suggests that the employer will lodge the STP report at the same time it prepares pay slips and a payment file for the financial institution to pay employees. This may mean that the report is lodged before the employees receive their pay.

STP will also affect other current reporting requirements, as an employer who meets its STP reporting obligations for an income year will not need to comply with the following obligations:

- Notification of withholding amounts
- Annual payment summaries
- Payment summaries or payments for termination of employment
- Annual reports to the Commissioner
- Part-year payment summaries

As payment summaries, will no longer be required with STP reporting the ATO will be able to make annual payment summaries available progressively throughout the income year to employees with ATO Online. The ATO will be able to use the information collected through STP reporting to pre-fill employees' income tax returns. Through providing this information to ATO Online when an employee commences a new job the process will be streamlined. The employee will be able to make TFN declarations and superannuation fund choices directly online, reducing an employer's paperwork, compliance costs and errors associated with re-keying information.

The new STP law will not change due dates for payment of PAYGW liabilities for businesses. In order to align reporting and payment of PAYGW to payroll processes there will be an option to pay at the same time as lodging STP reports. For most employers, these due dates will align with their BAS due dates.

Christmas Tips
FOR SMALL BUSINESS

It's that time of year again – the lead up to Christmas. As the retail shops prepare to bombard us with Christmas trim we look at the ramifications for your business. Here are our top tips for a generous and tax effective Christmas season.

What to do for customers?

The most effective way of sharing the Christmas joy with customers is not necessarily the most tax effective. If, for example, you take your client out or entertain them in any way, it's not tax deductible and you can't claim back the GST. There are specific rules designed to prevent deductions and GST credits from being claimed when the expenses relate to entertainment, regardless of whether there is an expectation of generating goodwill and increased business sales. Restaurants, a show, golf, and corporate race days all fall into the 'entertainment' category.

However, if you send your customer a gift, then the gift is tax deductible as long as there is an expectation that the business will benefit (assuming the gift does not amount to entertainment). Examples of gifts include; Christmas hampers, bottles of alcohol or gift vouchers to generic organisations (Myer, David Jones or Westfield).

If your budget is tight, it's better to focus on the customers you believe deliver the most value to your business. Rather than spending a small amount on every customer regardless of value. If you are going to invest in Christmas gifts, then make it something people will remember and is appropriate to your business.

You could also make a donation on behalf of your customers (where your business takes the tax deduction) or for your customers (where they receive the tax deduction). Donations to deductible gift recipients (DGRs) above $2 are tax deductible and can make an active difference to a cause.

What to do for your team?

Christmas is expensive. Some businesses simply can't afford to do much because cashflow is too tight. Expectations are high, so if you are doing something then it's best not to exacerbate cashflow problems and take advantage of any tax benefits or concessions you can. Let's have a look at the impact of your options.

CHRISTMAS PARTY

If you really want to avoid tax on your work Christmas party, then host it in the office on a workday. This way, Fringe Benefits Tax (FBT) is unlikely to apply regardless of how much you spend per person. Also, taxi travel that starts or finishes at an employee's place of work is exempt from FBT. So, if you have a few team members that need to be loaded into a taxi after over indulging in Christmas cheer, the ride home is exempt from FBT.

If your work Christmas party is out of the office, keep the cost of your celebrations below $300 per person. This way, you won't pay FBT because anything below $300 per person is a minor benefit and exempt. Be careful though as the $300 includes all the costs of the event so meals, drinks, entertainment, etc.

If the party is held somewhere other than your business premises, then the taxi travel is taken to be a separate benefit from the party itself and any Christmas gifts you have provided. In theory, this means that if the cost of each item per person is below $300 then the gift, party and taxi travel can all be FBT-free. However, the total cost of all benefits provided to employees needs to be taken into account in determining whether the benefits are minor across the FBT year.

Just remember that if entertainment is provided to employees and an FBT exemption applies, you will not be able to claim tax deductions or GST credits for the expenses.

If your business hosts slightly more extravagant parties and goes above the $300 per person minor benefit limit, you will pay FBT but you can also claim a tax deduction for the cost of the event. Just bear in mind that deductions are only useful to offset against tax. So, if the business is paying no or limited amounts of tax, a tax deduction is not going to help offset the cost of the party.

CHRISTMAS GIFTS FOR STAFF

$300 is the minor benefit threshold for FBT so anything at or above this level will mean that your Christmas generosity will result in a gift to the Tax Office as well at a rate of 49%. To qualify as a minor benefit, gifts also have to be ad hoc - no monthly gym memberships or giving the one-person multiple gift vouchers amounting to $300 or more.

Aside from the tax issues, think about what will be of value to your team. The most appreciated gift is the one that means something to the individual. Giving a bottle of wine to someone who doesn't drink, chocolates to a health fanatic, or time off to someone with excess leave, isn't going to garner much in the way of goodwill. A sincere personal message will often have a greater impact than a uniform gift.

For You - Spread the joy with Charitable Gifts

We all have someone who doesn't need or want anything material and who is very socially aware. This Christmas why not gift them a well in a third world country. To make sure there is something to open at Christmas, why not pack the donation in a drink bottle. Assuming the gift is made through a deductible gift recipient (DGRs), then the donation of the well will be tax deductible - either for you or them - as it is the money equivalent of a well for projects of this type, not an actual well.

If you made a donation and received something for that donation like a toy or raffle ticket, then it would not be tax deductible.

Innovation STATEMENT

The Government has sought to remove the fear of failure by offering tax breaks and changes to insolvency laws to provide greater flexibility for entrepreneurs and investors in innovative start-ups.

A list of the key tax measures includes:

- **Same business test relaxed to become a 'predominantly similar business test'**
  Companies will be able to enter into new business activities and transactions without losing access to carried forward tax losses
- **Early stage investor tax break**
  The tax break provides a 20% non-refundable tax offset based on the amount of their investment capped at $200,000 (sophisticated investor) or $10,000 (non-sophisticated investor) per investor, per year
- **Tax Offset for early stage venture capital partnerships**
  A 10% non-refundable tax offset for capital invested in new Early Stage Venture Capital Limited Partnerships (ESVCLPs) will be introduced as well as increasing the cap on committed capital from $100 million to $200 million for new ESVCLPs.
- **Movement from statutory life to 'economic life' for depreciation deductions**
  Rules have been removed that limit depreciation deductions for some intangible assets (like patents) to a statutory life and instead allow business entities to choose for these assets to be depreciated over their economic life as occurs for other assets.
- **Insolvency reforms create safe harbours for risky projects**
  A 'safe harbour' for directors from personal liability for insolvent trading if they appoint a professional restructuring adviser to develop a plan to turnaround a company in financial difficulty will be introduced.

Final Reminder
SUPER STREAM COMPLIANCE

The ATO is reminding all employers that the timeframe for SuperStream compliance ran out on 31st October 2016. With the extended deadline passed, the ATO has now turned its attention to identifying employers who do not yet comply with the requirements.

In order for employers to be compliant with SuperStream standards, employers have to make super contributions electronically and in an approved format. Employers are no longer able to be make super contributions via paper-based methods and instead need to send super contributions via the banking system. There are a variety of different options available for employers to adopt SuperStream including;

- Upgrading payroll software
- Using a Clearing House Service
- Default Super Fund portal

If employers are to be found that they are not making a genuine attempt to implement SuperStream, penalties may be applied.

PROPOSED Superannuation CHANGES

In September 2016 the Government released another round of draft legislation implementing a number of the changes to superannuation it accounted for in the 2016 Federal Budget.

Many of these changes will apply from 1 July 2017 so it might be sensible to for you to start thinking of how your superannuation will be impacted by the changes now and whether you might need to change any of your SMSF's arrangements.

Included in the latest legislation were amendments relating to:

- Implementing the Government's $1.6 million transfer balance cap, which places a limit on the amount an individual can hold in the tax-free retirement phase from 1 July 2017.
- Lowering the concessional contributions cap to $25,000 per year for all taxpayers from 1 July 2017.
- Lower the non-concessional (post-tax) contributions cap from $180,000 to $100,000 per annum with a three-year bring forward period for individuals under the age of 65. Individuals with a balance of more than $1.6 million will no longer be eligible to make non-concessional contributions.
- Reducing the income threshold at which individuals are required to pay an additional 15% contributions tax, from $300,000 per year to $250,000.
- Providing greater flexibility for those with broken work patterns by allowing individuals with balances of less than $500,000 to 'carry forward' unused concessional cap space for up to five years.
- Removing the tax-free treatment of assets that support a transition to retirement income stream.

Some of these changes may require you to adjust your investment, contribution, pension and estate planning strategies going forward.

This will most likely be the case if you have a superannuation balance of over or close to $1.6 million, were planning on making significant contributions to superannuation in the next few years, are a high income earner or have a transition to retirement pension in place now.

Our Purpose

Hoffman Kelly are no ordinary bean counters! We strive to provide world class business advisory services to enable clients to accomplish their goals and maximise their wealth.

Hoffman Kelly has been a local firm in Coorparoo for around 40 years. Since 1998, when Tony Hoffman started to lead the firm, our business has grown over 1000% and our staff have increased from six to 40! As we do not advertise, this growth has been driven entirely by you, our clients and we would like to thank you for your continued support.

Our firm's greatest strength is our team. We recruit the brightest candidates and spend more on professional development than any of our peers to ensure we're all at the cutting-edge. All our accountants are CA/CPA qualified or on their way to be. Our Directors have between 15 and 21 years' experience assisting self-managed super funds and small to medium size businesses including specialities in property development, the medical industry, real estate agencies, legal practices and new venture start-ups. Also, all our Directors are accredited SPAA SMSF Specialist Advisors™, and ASIC registered SMSF Auditors.

As we have just added an additional five members to our team, we find ourselves in a desirable position of having excess capacity. If there are any matters which you believe we may assist you with, please don't hesitate to contact us.

Furthermore, if you are happy with our service we would appreciate you recommending us to your friends and associates. We provide a free one hour no obligation structure and tax review for client referrals.

Our team

Left to Right: Thomas Aitkenhead, Tony Hoffman, Claire Roberts, Michael Kerwin and Greg Roberts

Director	Tony Hoffman
Director	Greg Roberts
Director	Tom Aitkenhead
Director	Michael Kerwin
Director	Claire Roberts
Manager	Michelle Goding
Manager	Elisha Moore
Manager	Donna Fisher
Manager	James Smith
Manager	Scott Ward
Manager	Elena Lenda
Manager	Lauren Sarolis
Manager	Terry Kimble
Accountant	Gervais Morton
Accountant	Matthew Yarrow
Accountant	Rhiane Sherriff
Accountant	Danielle Bui
Accountant	Michael Scott
Accountant	Katherine Wriedt
Accountant	Chris Chen
Accountant	Qin Li
Accountant	Andrew Beverland
Accountant	Hayley Nixon
Accountant	Serena Ma
Accountant	Rachel Lean
Accountant	Amelia McMullan
Accountant	Dean Van Zanen
Accountant	Kate Oh
Accountant	Charlotte Lane
Accountant	Harley Dickfos
Practice/ HR Manager	Cassie Salecich
Office Manager	Lisa Cronin
Personal Assistant	Megan Cowan
Personal Assistant	Chantelle Lagos
Personal Assistant	Emma-Jayne Hagley
Personal Assistant	Haidi Lewis
Administration Assistant	Georgia Best
Office Clerk	Sara Flores
Reception	Jessie Baltus

AVOID 'Too good to be True' TAX SCHEMES

The ATO has recently launched an initiative aimed at educating individuals about the potential pitfalls of retirement planning schemes. The schemes are specifically targeting individuals who are approaching retirement as this planning happens during a critical time in people's lives.

The three schemes the ATO identify that are currently targeting individuals planning for retirement include:

- **Dividend Stripping**
  This involves shareholders in a private company transferring ownership of their shares to an SMSF, so that the company pays dividends to the SMSF, with the purpose of stripping profits from the company in a tax-free form.
- **Non-Arm's Length**
  When an SMSF trustee undertakes limited recourse borrowing arrangements established or maintained on terms that are not consistent with an arm's length dealing.
- **Personal Services Income**
  Where an individual (usually at pension phase) diverts income earned from personal services to a SMSF where it is concessionally taxed or treated as exempt from tax.

The ATO want to play its part in ensuring soon-to-be retiring taxpayers protect their nest eggs and are encouraging individuals to come forward if they believe that they are at risk or are already involved in a scheme. Individuals caught using an illegal scheme risk losing their retirement funds, as well as their right to manage and operate a SMSF.

CHARTERED ACCOUNTANTS AUSTRALIA + NEW ZEALAND

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