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DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **autumn 2016**

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SMALL BUSINESS TAX CUTS

The income tax rate for small businesses with turnover of less than \$2 million has been reduced from 30% to 28.5% from 1 July 2015.

An income tax rate cut has also now been extended to individuals with an unincorporated small business. An individual will receive a discount of five percent on the income tax payable on the business income, which will be capped at \$1,000 and delivered as a tax offset.

IMMEDIATE DEDUCTIONS FOR PROFESSIONAL EXPENSES

Previously, some costs associated with a new business start-up were required to be apportioned over 5 years for tax deductibility. From 1 July 2015, any start-up professional costs incurred by a small business are immediately deductible in the year they are incurred.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the third quarter of the 2015-16 income year.

The GIC annual rate for January – March 2016 is 9.22%, and the SIC rate is 5.22%.

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CAR EXPENSE CHANGES

From 1 July 2015 the government has simplified the car expense deductions available for individuals from four methods to only two. The previously available one third of actual expenses and 12% of original value method have been scrapped.

Two available methods from 1 July 2015 are:

- Cents per kilometre – limited to 5,000km per year.
- Logbook – unlimited kms.

The cents per kilometre rate has also been simplified into one rate of 66 cents per kilometre for all vehicle types. If a business is paying employees a cents per kilometre rate higher than 66 cents they are required to PAYG withhold on the excess car allowance amount.

ARE YOU SUPERSTREAM READY?

Employers with 20 or more employees should already be using SuperStream since 1 July 2015, however all employers are required to enter the SuperStream system by 30 June 2016.

SuperStream requires you to make all superannuation payments electronically and there are a number of options available to help you comply with the new system such as:

- Updating your payroll system.
- Using your superannuation fund's online system.
- Using a messaging portal.
- Using a clearing house (such as the ATO free super clearing house for small business).

In order to be prepared to enter the SuperStream system, employers need to collect all employee's TFN's and the USI (Unique Super Identifiers) of their respective funds.

If the only contributions you make are personal contributions or contributions to a related SMSF, you are exempt from reporting using SuperStream.

FBT EXEMPTION EXTENDS TO MULTIPLE PORTABLE DEVICES

The current Fringe Benefits Tax law grants an exemption for more than one work-related portable electronic device used primarily for work related purposes, but only when the devices perform substantially different functions. This would result in an exemption only being available for one device if an employee has a laptop and a tablet.

From 1 April 2016, small businesses with an aggregated turnover of less than \$2million will be able to claim an exemption for all work-related portable electronic devices, even if they have substantially the same function.

SELF MANAGED SUPER FUNDS – LIMITED RECOURSE BORROWING ARRANGEMENTS STILL AVAILABLE

The Murray Inquiry which was released in December 2014 recommended to the Government that they restore the ban on direct borrowings by a superannuation fund on a prospective basis.

The Government has now announced that it has rejected this recommendation and that superannuation funds will be able to continue to directly borrow funds through a limited resource borrowing arrangement.

If you are considering borrowing funds to purchase a property in your SMSF, please contact our specialist Super Fund team to discuss your intentions as this a very complex area of superannuation legislation.

FUEL TAX CREDITS

Due to the indexation of the fuel excise, the fuel tax credit rates change on 1 August and 1 February each year.

As the rates are being regularly updated, it very important to keep good records to support your claim. For fuel used in heavy vehicles you are required to apply the applicable rate on the date you acquired the fuel.

USE OF FUEL	FUEL TYPE	FROM 1 JULY 2015	FROM 1 AUG 2015	FROM 1 FEB 2016
Vehicle greater than 4.5 tonnes GVM travelling on a public road	Petrol or diesel	12.76 cents	13.06 cents	13.36 cents
Specified off-road activities	Petrol or diesel	38.9 cents	39.2 cents	39.5 cents
To power auxiliary equipment of a heavy vehicle travelling on public roads	Petrol or diesel	38.9 cents	39.2 cents	39.5 cents
Fuel for domestic heating	Kerosene and heating oil	38.9 cents	39.2 cents	39.5 cents

FINANCE ARTICLE TO FIX OR NOT TO FIX?

With interest rates at their lowest level for some time and with most lenders 1 to 3 years fixed interest rates now being lower than the banks variable interest rate, many clients are asking the question: Do we fix our loan or is it better to have a variable rate?

WHICH LOAN IS RIGHT FOR ME?

That all depends on your circumstances.

Variable and fixed loans have their advantages and disadvantages so it's imperative to consider these before making a decision.

Split loans combine features of both variable and fixed allowing you to broaden your options.

VARIABLE LOANS

Advantages

- When the Reserve Bank or the market lowers interest rates, these savings will usually be passed on to you.
- You can make additional repayments without incurring a penalty then have the option to redraw the additional funds at a later date.

- You have the option to split your loan so that it is both fixed and variable.
- Provides more flexibility than other types of loans.

Disadvantages

- When the reserve Bank or market increases rates, the interest rate on your loan will also increase – meaning you will pay more interest.

FIXED LOANS

Advantages

- During the fixed term, your repayment won't change making budgeting easier.
- During the fixed period, if interest rates go up your loan interest rate and repayments won't change.

Disadvantages

- Most fixed loans limit the flexibility of being able to make extra repayments, with most lenders allowing up to a maximum extra repayment amount each calendar year (without being charged a fee by the lender).

- You are not able to redraw the extra repayments during the fixed rate period.
- When market rates go down, the rate on your loan will remain the same so you won't have the benefit of potential savings.
- If you choose to exist or switch your loan during the fixed rate period, there may be early repayment or Break Costs.

HOW EASY IS IT TO SWITCH ALL OR SPLIT PART OF YOUR LOAN TO A FIXED RATE?

It is as easy as ringing the bank or completing a loan switch form. Though there are many factors to be considered before making a change to your loan.

This is where we are able to help you by researching what is available and if making the change is the right solution for your situation, then we help make the process as smooth as possible.

We make it happen!

A DYNAMIC ASSOCIATION OF
EXPERIENCED PROFESSIONALS



FEATURE ARTICLE **FRINGE BENEFITS TAX**

March 31 marks the end of another Fringe Benefits Tax (FBT) year.

Now is the time to ensure that you take advantage of last minute tax planning opportunities to avoid the ATO audit blowtorch for the current and future FBT years.

There have been many changes to the laws governing FBT, the most notable of which is the increase in the tax rate from 47% to 49%. While many of the other changes will not affect the majority of taxpayers directly, it is important to know what benefits can be achieved within the boundaries of these laws.

WORK RELATED ITEMS EXEMPTION

One of the most popular exemptions for FBT purposes is the exemption available to an employer to provide an employee with a work related item that is primarily used in connection with the employee's employment.

An eligible work related item can include:

- A mobile phone.
- A tablet/iPad.
- A laptop computer.
- Tools of trade.
- Computer software.

Employers are restricted to one eligible item per employee per full FBT year for the purposes of the exemption. An issue that is becoming more common in recent years is that work related items can be substantially similar or have identical functions, thereby restricting the opportunity for employers to receive an exemption for certain related items. This single-item restriction does not apply to lost, stolen or damaged items, however the availability of the exemption will need to be made on a case by case basis.

For example, a smart phone has similar and identical functions to a tablet device (calendar, email capabilities, calculator, etc.), so are they the same eligible work related item? The answer is NO. The ATO has confirmed that the underlying function of the item is the differentiating factor when deciding if work related items are the same. A tablet device's functionality is substantially different in that a tablet device is designed to view and create data, whereas a smart phone is fundamentally designed to make and receive phone calls.

Practically, employers are able to give an employee both a smart phone and a tablet device and enjoy the work related item exemption so long as an employee can demonstrate that both items are primarily used in connection with their employment.

From 1 April 2016 these restrictions have been lifted for small businesses to allow employers to provide multiple electronic devices with identical functions to employees. This is great news as the functionality of tablet devices becomes more like traditional laptops and the line begins to blur. Employers still need to ensure that these extra devices will be used predominately for business related purposes when providing them

AUDIT FOCUS

Each year the ATO highlights certain areas or industries that they believe to be at risk and choose to focus their attention there.

This year the ATO has suggested that compliance activities will be focused upon:

- Contacting employers to obtain lodgement of overdue FBT returns.
- Undertaking reviews of employers who have purchased vehicles but have not disclosed vehicle fringe benefits in an FBT return (these details are provided by the RMS from vehicle registrations).
- Reviewing living away from home benefits provided to employees.

COMMON FRINGE BENEFITS

A summary of the most common types of fringe benefits has been provided below. If you think that any of these situations may apply to you, contact us for further advice.

Car Fringe Benefit

Arises where you (the employer) make a car that you 'hold' available for the private use of an employee. A car you 'hold' generally refers to a car that you own or lease.

The following types of vehicles (including four-wheel drives) are considered taxable:

- Motor cars, station wagons, panel vans and utilities (excluding panel vans and utilities designed to carry a load of one tonne or more).
- All other goods-carrying vehicles designed to carry less than one tonne.
- All other passenger-carrying vehicles designed to carry fewer than nine occupants.

Expense Payment Benefit

This arises where an employer pays for or reimburses private expenses incurred by employees, e.g. school fees; private telephone bills; rates and land taxes; health insurance premiums, etc.

Provision of Entertainment

Arises where an employer incurs expenditure for the provision of:

- Entertainment by way of food, drink or recreation.
- Accommodation or travel in connection with, or to facilitate the provision of such entertainment.

Common examples of these benefits are:

- An employer pays for business lunches/dinners at a restaurant for clients and employees.
- An employer holds a social function (e.g. Christmas party) for employees and clients.
- An employer provides Friday night drinks.

This list is not exhaustive nor does it cover the exemptions and tax planning opportunities to reduce this taxable benefit.

Salary Packaging

Salary packaging is an effective tax planning option available to employees to increase their after-tax income. Salary packaging arrangements are designed to substitute the cash component of an employee's remuneration package for a non-cash benefit. These arrangements do have FBT consequences, but this can be minimised or eliminated through proven FBT reduction strategies to give you a greater benefit overall.

Common examples of this arrangement include the substitution of cash salary for increased superannuation contributions, the provision of work related items (e.g. laptops) or for the purchase or lease of a car.

Please contact us should you wish to discuss further.

Talk to us about your accounting today

If you're interested in global outsourcing, foreign operations or any business and accounting support, we can make it happen.

Contact DFK ANZ on

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UPCOMING KEY DATES & DEADLINES

31 MARCH 2016	Due date for lodgement and payment of 2015 income tax returns for companies (including head company of a consolidated group) and super funds with income in excess of \$2 million
31 MARCH 2016	Due date for lodgement of 2015 income tax return for individuals with a tax liability greater than \$20,000 last year
31 MARCH 2016	Fringe Benefits Tax year ends
21 APRIL 2016	March Monthly Activity Statement due for lodgement and payment
21 APRIL 2016	Quarterly PAYG Instalment activity statement due for lodgement and payment for head companies of a consolidated group
28 APRIL 2016	Superannuation Guarantee Contributions due for payment for Jan – Mar 2016 quarter
28 APRIL 2016	January - March 2016 Business Activity Statement due for paper lodgement and payment
15 MAY 2016	Due date for lodgement of 2015 Income Tax Return for all entities who were not required to lodge earlier. Payment required for companies and super funds
21 MAY 2016	April Monthly Activity Statement due for lodgement and payment
26 MAY 2016	January – March 2016 Business Activity Statement due for electronic lodgement and payment
28 MAY 2016	2016 Fringe Benefits Tax Annual Return – due for payment
5 JUNE 2016	Due date for lodgement of 2015 Income Tax Return for companies and super fund who were non-taxable or refundable in prior year and non-taxable or refundable in current year
5 JUNE 2016	Due date for lodgement and payment of 2015 Income Tax Returns for individuals who have not lodged earlier
21 JUNE 2016	May Monthly Activity Statement due for lodgement and payment
25 JUNE 2016	Due date for lodgement of 2016 Fringe Benefits Tax Annual Return

FOR MORE INFORMATION & FUTURE NEWSLETTERS

For more information on anything contained in this bulletin please telephone or email to our details below.

DFK AUSTRALIA NEW ZEALAND

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 ANZ.

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