



Accountants &
Business Advisors

News Bulletin

FEBRUARY 2017



IN THIS ISSUE:

- ❖ Tax Developments Update
- ❖ Key Superannuation Changes post 1 July 2017
- ❖ Ways of Increasing Sales Revenue
- ❖ SuperStream Checklist
- ❖ Understanding Constructive Dismissal
- ❖ Fringe benefits Tax

TAX DEVELOPMENTS UPDATE



Cash Economy Taskforce

The Minister for Revenue Ms Dwyer, has announced that the Government has established a taskforce to crackdown on the black economy – the Black Economy Taskforce.

Ms O'Dwyer said that while there is no single, internationally-agreed definition, typically, the black economy refers to people who operate entirely outside the tax system or who are known to tax authorities but deliberately misreport their tax (and superannuation) obligations. The black economy can also include those engaged in organised crime, including those who engage in the production and sale of prohibited goods.

The Minister said that, according to the ABS, it is estimated that the black economy in Australia could be as large as 1.5% of Australia's GDP or around \$24 billion.

The Minister said the Taskforce will look carefully at successful measures that have been employed overseas. Experience from both Australia and overseas shows that successful black economy strategies must avoid one-size-fits-all approaches, include a mix of both traditional tax enforcement and other tools and provide positive incentives as well as sanctions, she said.

The Taskforce will provide a final report in October 2017 which will include an overarching whole of government policy framework and detailed proposals for action to counter the black economy.

ATO data matching

The ATO is collecting data to use for its credit and debit card, online selling and ride-sourcing data-matching programs

The data will include the total amount of credit and debit card payments businesses received, online sellers who have sold at least \$12,000 worth of goods or services, and payments made to ride-sourcing drivers from accounts held by the ride-sourcing facilitator.

The ATO will match the data with information provided in clients' tax returns, activity statements and other records.

The exercise will help the tax office identify businesses that may not be reporting all their income or are not meeting their registration, lodgement or payment obligations.

This is the latest in a string of warnings from the ATO about its increased data-matching capabilities, leaving targeted non-compliers with little chance of escaping detection.

SIGNIFICANT SUPERANNUATION CHANGES NOW LAW



Following the Federal Governments 2016 Budget, clients should be aware of very significant changes to the superannuation rules that were passed by the Federal Parliament on 23 November 2016.

While the key reform measures don't commence until 1 July 2017, clients who have set up SMSF Funds should have an immediate understanding of the changes and undertake planning action in the period leading up to the start date to mitigate any changes that may inversely affect them and take advantage of any changes that may benefit them.

In summary, the main changes are:-

- there will be a \$1.6 million transfer balance cap on the total amount of accumulated superannuation an individual can transfer into the tax-free retirement phase. Subsequent earnings on balances in the retirement phase will not be capped or restricted.

Individuals with pension balances over the \$1.6m pension transfer balance cap will be

required to commute or "roll back" any excess amount to accumulation phase where earnings are taxed at 15 per cent.

- the rules include CGT relief for those who will be required to unwind existing pension arrangements. The CGT provisions effectively deem a disposal and reacquisition at 30 June 2017, meaning unrealised gains on existing pension assets will not generally be taxed on disposal following commencement of the new rules.
- transition to retirement (TTR) pensions will no longer receive a tax-free status on the investment earnings of pension accounts. The investment earnings will be taxed at 15 per cent for both new and existing TTR arrangements. Although the tax benefits of TTR pensions will be removed, some attractions will remain. For those who have been receiving a TTR pension, if they retire or change jobs after age 60 they can access their existing super balance in an unrestricted way, as the pension converts to a full account-based pension.
- the concessional (before-tax) contributions cap will be reduced to \$25,000. This applies to both SG and salary sacrifice contributions, which means the total of these two types of contributions count towards this cap. The current cap is \$30,000, or \$35,000 for people 50 and over.

Clients should pay particular attention at the transitional CGT relief provided as part of the Government's superannuation reforms. This will require trustees of SMSFs to make some important decisions in respect of their pension assets affected by the \$1.6m pension transfer balance cap.

Under current law, any capital gains realised on the disposal of assets that underpin pension accounts, including a transition to retirement income stream (TRIS), are exempt from tax. This is the case even if those gains accrued over many years, including the years before the pension (or TRIS) started. Both the new TRIS rules and the \$1.6m pension transfer cap from 1 July 2017 will constrain funds that might previously have benefited significantly from this provision and hence some special relief to protect gains built up before the change has been included in the legislation.

From 1 July 2017, individuals with pension balances over the \$1.6m pension transfer balance cap will be required to commute or "roll back" any excess amount to accumulation phase (where it

will be subject to 15% tax on future earnings): Consequently many SMSF members who might previously have enjoyed years of being "fully in pension phase" will return to a hybrid position where they are subject to tax on at least some of their fund's investment earnings.

In addition, investment earnings on a fund's assets underpinning a TRIS balance will also no longer be exempt from tax. Rather, such earnings will also become taxable for the fund from 1 July 2017.

To counter the impact on a fund's CGT status, transitional CGT relief has been provided in the legislation. Conceptually, the CGT relief is designed to ensure that when an asset is sold on or after 1 July 2017:

- capital gains that accrued after this date will be taxable/tax exempt in accordance with the new rules; while,
- capital gains built up before 1 July 2017 will get some recognition of the fact that they would have been wholly or partly tax exempt under the old rules.

It does this by allowing funds to choose to reset the cost base of certain assets during the "pre-commencement period" - 9 November 2016 to 30 June 2017.

For further information, we encourage our clients to contact us.

END OF 10% SUPERANNUATION RULE

At present super contributions are limited to those earning less than 10% of their income from waged employment – which in practice means people who are self-employed or who receive most of their income from investments.

From 1 July 2017, the 10% restriction will be lifted and anybody will be eligible to claim the deduction.

This presents a great opportunity, particularly for part-timers, casuals and those between jobs, who have traditionally struggled to contribute to Super.

INCREASING SALES REVENUE



Stagnant sales can quickly reduce a business's profitability. Business owners must constantly monitor sales and customer behaviour to reflect their market's needs, or risk falling behind.

There are of course a number of ways to increase sales of a business including:-

- **Direct Advertising** – this may involve, media advertising such as T.V. and Newspaper advertising, distribution of pamphlets, signage etc. However, this type of advertising may not always be effective for all businesses and can be quite expensive.
- **Adding new product lines or service offerings** – this may involve the conducting of market research into what your current customers are looking for and exploring what gaps and opportunities exist in your market.
- **Reviewing pricing strategies** – check that your prices are fair, cover your costs and compare favourably to competitors. Setting the right price is essential to ensure customers are willing to pay for your product or service and that you do make a profit.

However, perhaps the most effective way to increase sales is often to Commit to customer service. Most costs of doing business are tangible, such as your rent, wages, insurance, materials used, goods sold, etc. However, the full cost of poor or indifferent service is not readily identifiable.

We know that most people don't complain when service fails to meet their expectations. Therefore, the number of complaints you get really may not reflect the full extent of the problem.

Businesses with excellent customer service have an increased chance of maintaining and increasing their customer base. As all business owners know, it costs more to attract a new customer than it does to keep an existing customer – so, it is critical to prioritise customer service. This is best achieved by implementing a customer service program.

The basic elements to customer service should include:-

- **A Commitment to Customer Service** - If Management is not fully committed to improving the organisation's standard of service, it will never happen.
- **Assessment of the standard of your present service level** - how well or badly are you doing? Some ways to effectively find out your present level of service is the use of questionnaires, feedback forms, KPI comparisons etc
- **Determine what your customers needs are** - there are a variety of ways to discover what clients want. Two ways are:
 - . spend time with your customers by actually serving them and conduct regular client advisory boards

. Ask clients to complete a report card on Company service, or, routinely phone them within a certain period of time of the sale, or simply ask them

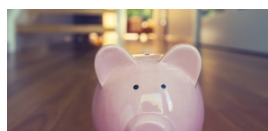
- **Set performance standards** - Once you know what your clients want, the next step is to make sure they get it by putting into place performance standards that meet your customer needs. These performance standards are basic statements of "This is how we are going to do it in the business because that's the way our customers want it."
- **Implement a feedback system** - Feedback is a two-way process. Team members have to be given information that lets them know how they're performing in the job and how the business as a whole is performing. The other direction of feedback is from the team members to management.

SMALL BUSINESS \$20,000 IMMEDIATE DEDUCTION FOR ASSETS

A reminder that time is running out for small businesses to take advantage of the ability to be able to claim an immediate deduction for the cost of each and every depreciating asset that they purchase for less than \$20,000.

This tax break was introduced as part of the 2015 Federal Budget and will end on the 30th June 2017.

SUPERSTREAM CHECKLIST



All businesses should now be SuperStream compliant. SuperStream is a standard for processing superannuation data and payments electronically.

Employers must pay employee super contributions electronically (EFT or BPAY) and send the associated data electronically under SuperStream.

SuperStream ensures the data is in a standard format so it can be transmitted consistently across the super system – between employers, funds, service providers and the Tax Office.

For those businesses who have not made the switch, here is a guide to be SuperStream ready:

1. Choose an option

SuperStream requires you to pay super and send employee information electronically. If you already do this, you may only need to refine your system to send the contribution data in the standard format. You can use:

- a payroll system that meets the SuperStream standard
- your super fund's online system
- a super clearing house
- a messaging portal

If you are unsure of which option to choose, contact Helena from our office to help you select the most suitable option for your business.

2. Collect information and update your records

You may need to collect additional information from your employees, including:

- employee tax file number
- Superannuation Fund ABN
- Superannuation Fund unique superannuation identifier (USI)
- For employees with a self-managed super fund, you will need:
 - i. employee tax file number
 - ii. Superannuation Fund ABN
 - iii. Superannuation Fund bank account details
 - iv. Superannuation Fund electronic service address

3. Use SuperStream

Once you have all the employee information, you can start using SuperStream as soon as possible. It is still the employer's responsibility to meet the super guarantee obligations by the due dates. Those using a clearing house must check how long it will take to send the money and information the super fund.

Generally, an employee's super contribution is counted as being paid on the date the fund receives it, not the date a clearing house receives it from you.

UNDERSTANDING CONSTRUCTIVE DISMISSAL

Constructive dismissal, in effect forced resignation, occurs when the behaviour or conduct of an employer is so harmful, adverse or unfriendly to their employment relationship with an employee that the employee cannot be expected to deal with it.

Examples include an employer:

- expressly suggesting that an employee resign
- actively making it difficult or impossible for an employee to fulfil their role
- failing to provide a safe or healthy working environment

- imposing unauthorised and detrimental changes to the employee's contract, such as a demotion, change of working hours or relocation

Employees must be able to prove that their employer's actions were the primary contributing factor that resulted in their resignation and that the employee would have remained employed if the alleged conduct did not take place.

The employee's resignation must occur immediately after the conduct complained of. Otherwise, the employee could be said to have accepted the continued existence of the employment contract.

Constructive dismissal often creates the basis of dismissal-related claims in Australia and New Zealand, such as unfair dismissal or a breach of the Fair Work Act.

FRINGE BENEFITS TAX

With the 2017 Fringe Benefits Tax (FBT) year 31 March 2017 not being too far away, clients should conduct a review to ensure that they comply with their FBT obligations and not leave themselves open in the event of an ATO compliance audit.

If you answered "Yes" to any of the following questions you may need to lodge a Fringe Benefit Tax return and pay the tax before 21 May 2017.

- Own a motor vehicle used by an employee for private purposes?
- Pay for car parking for employees?
- Help an employee with housing or accommodation costs?
- Provide a loan to, or release an employee from paying a debt?
- Pay expenses on behalf of an employee (eg: telephone, travel, etc)?
- Provide entertainment (eg meals) to employees or their associates?
- Buy gifts for an employee costing more than \$300?
- Did an employee salary sacrifice super contributions for a spouse?

Please contact our office to discuss your situation if any of the above applies to your business.

Disclaimer:-

The News Bulletin is distributed by Kaias Phillips to provide information of general interest to their clients. The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their tax adviser for advice on specific matters.