Collins XPRESS

ISSUE 18 2016 | FAST TRACKING YOUR BUSINESS SUCCESS

Meeting your superannuation obligations

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At first glance, an employer's responsibilities and obligations under superannuation law can seem complex.

However, Australia's superannuation rules are fairly straightforward once employers become accustomed to the rules and concepts.

All employers must choose a default super fund for an employee's Super Guarantee (SG) contributions. A default fund is a fund where employers pay, on an employee's behalf if they haven't nominated a super fund, an employee's super contributions. SG contributions are the minimum amount employers must pay to their employees.

Unless a specific enterprise agreement or award states otherwise, all employers must pay a set rate of SG contributions into each eligible employee's super fund.

For the 2015-16 financial year, the SG rate is 9.5 per cent of an employee's ordinary time earnings. This rate is set to increase gradually over the next few years.

Employers must pay SG at least four times per year by the quarterly due dates into a complying super fund and report this to the ATO.

For superannuation purposes, an employee's income includes regular wages, as well as commissions, shift loadings and some allowances. Overtime payments are excluded from an employee's income unless such overtime is undertaken by the employee consistently, in which case the overtime is considered ordinary times earnings and superannuation (SG) is therefore payable.

Some employees may ask their employer to deduct extra super from their pre-tax income, and pay it into their super fund. This activity, known as salary sacrificing, is a popular way for employees to boost their retirement income while also providing taxation benefits.

Employers must notify the ATO of all such payments in the PAYG Payment Summary.

Australia's superannuation laws and regulations are often changing and employers need to stay up to date with any new rules and obligations introduced. Luckily, most default funds send members regular updates on changes to employer responsibilities and procedures.

Planning for success

If your footy team didn't have one, they'd always be "wooden spooners". You wouldn't go on holiday without having one and you'd never have friends over for a barbie without one. What are we talking about? A plan, of course!

Yet amazingly, when it comes to money, most people don't have a plan.

They make excuses like being too busy or not yet earning enough money. Or it's too hard and they don't know where to start. No one plans to fail but by not having a plan, many do exactly that.

Managing money is not that hard but most people have never been shown how to do it properly.

The truth of instant wealth

Unfortunately, there is no magic way to instant wealth. When you're filling in the squares of the lottery form, spare a thought for the odds of winning first division of the Saturday night Gold Lotto - about 678,755 to 1! And in many cases, even when you win the big prize, if you don't have a plan, it will simply slip through your fingers.

By first learning to accumulate wealth we are able to live the lives we want and achieve our goals.

Just do it!

The secret to success is to make a start. It doesn't matter that the plan is incomplete or not perfect. There are proven techniques that can make you wealthy over time. You just need to apply these methods in a disciplined way and stick to a plan over time.

The secrets are simple:

- To spend less than you earn.
- To drive down personal debt as quickly as possible.
- To save regularly.
- To invest in assets that will produce tax-effective income as well as growth.
- To borrow money to boost your investments.

Applied properly these strategies can reduce tax, helping you to grow your wealth even faster.

Being in control

In the fast-paced world in which we live, it's easy to think we are swept along and there isn't much we can do to influence where we end up. Of course, that's not true and most of us will know people who were "lucky" and achieved their dreams. But was it really luck?

Successful people often set goals for themselves and have a plan to achieve them. The plan might not be foolproof, but they adapt it as they go along to give themselves the best chance of succeeding.

Like having a personal fitness coach, a skilled independent financial adviser can work with you to create a plan, monitor it and with your ongoing commitment, help make it work for you.

If you would like more information please contact our financial advisor, Mark Ducret, on 03 9680 1000 or financialplanning@collinsco.com.au.

Cancelling or transferring a business name

Those who sell their business or transfer part or all of their ownership are required to cancel or transfer their business name.

Some instances where you may need to transfer your business name include:

- If you are selling your business name or it has been sold.
- You are passing your business name onto a friend or family member.
- You are forming a partnership with an existing business name holder and another party.
- One of the partners in a partnership or joint venture has left and there is only one partner remaining.
- One of the partners has left and is being replaced (does not include joint ventures).

Your business name should be cancelled if you have stopped carrying on business under your business name and do not intend to continue carrying on business again and if you are not required to transfer your business name.

Business name holders wishing to transfer or cancel a business name need to lodge an application with the Australian Securities and Investments Commission (ASIC).

Selling your business GST-free

Business owners preparing for the sale of their business can take advantage of the "going concern" exemption which allows a business to be sold GST-free.

The supply of a going concern requires the seller to provide all things necessary for the continued trading of the enterprise in the foreseeable future. Once a business is considered to be a going concern, the sale of the business becomes exempt from GST.

The reason a buyer of a going concern business would apply for the exemption is to avoid paying additional funds to cover the GST involved in the sale, therefore paying less up front for the purchase. Applying the going concern will also reduce the stamp duty payable on the sale.

However, the seller faces an increased risk if the ATO does not view the sale to be a supply of a going concern for GST purposes. To prevent this some sellers may choose to include a clause in the sale contract, which requires the buyer to compensate the seller for any GST payable if the ATO does not allow the exemption.

The "going concern" exemption is applicable to businesses where the following requirements are met:

- The previous business owner supplies everything required for the continued operation of the business.
- The previous owner continues managing the business until the day of the new owner taking over supply.
- The purchaser is registered or required to be registered for GST.
- Payment is made for the sale.
- The buyer and seller agree before the sale, in writing, that the sale is of a going concern.

Calculating your property's GST

When selling property registered for GST, the margin scheme can be used as an alternative way to work out the GST payable on a concessional basis.

Where the scheme is applied, GST is paid for one-eleventh of the margin of the sale rather than one-eleventh of the sale price. The margin scheme calculates GST on the increase in value since 1 July 2000, if the property was acquired before 1 July 2000; or the difference between the purchase price and the sale price, if the property was acquired after 1 July 2000.

The eligibility requirements for the scheme include the following:

- You are registered for GST (or required to be registered for GST).
- You are selling property in the course of your enterprise and GST applies to the sale.
- The property is acquired before 1 July 2000.
- The property is acquired after 1 July 2000 and the person who sold them the property met one of the following:
    - Was not registered or required to be registered for GST.
    - Sold them the property using the margin scheme.
    - Sold the property to them as part of a GST-free going concern.
    - Sold the property to them as GST-free farmland.

The scheme is not applicable if you are selling the property that you:

- Purchased as a taxable sale and the GST on the sale was not calculated under the margin scheme.
- Inherited from a person who could not use the margin scheme.
- Obtained from a member of the same GST group who cannot use the margin scheme.
- Obtained, as a participant in a GST joint venture, from the joint venture operator who cannot use the margin scheme.

Those intending to use the margin scheme must have a written agreement between the purchaser and the seller that states the sale has been made under the margin scheme. The agreement must be included on or prior to settlement to access the scheme.

When calculating the margin or when the supply is ineligible for the margin scheme, errors can be made. Margin prices should not include stamp duty, costs for developing the property or legal fees. In some situations, an approved valuation method to assess the market value of the property may be required as specific rules apply. Those who wish to use the margin scheme as an alternative way to determine the GST payable should seek professional financial advice.

Changes to collectables

Self-managed superannuation fund (SMSF) trustees should be aware of the new rules for holding investments in collectables and personal use assets that come into full effect on 1 July 2016.

The new rules that were introduced 1 July 2011 have amendments to the guidelines for storage, insurance and valuation of new collectables and personal use assets. The changes are to ensure items are used for genuine retirement purposes and to prevent SMSF trustees from receiving a personal benefit from the investment.

The Superannuation Industry (Supervision) Act 1993 (SISA) provides the rules and regulations related to any collectables or personal use assets held in an SMSF. The regulations specify collectables and personal use assets:

- Not to be leased to any related party.
- Not stored in private residence.
- Document reasons for storage in writing.
- Maintain insurance in the name of the fund.
- Not to be used by any related party.
- Valuation must be determined by qualified independent valuer.

Collectables and personal assets include:

Artwork	Memorabilia
Jewellery	Rare folios, manuscript or books
Artefacts	Motor Vehicles
Antiques	Wine or spirits
Coins, medallions or bank notes	Recreational boats
Postage stamps or first day covers	Memberships of sporting or social clubs

ATO crackdown on rental property tax claims

The ATO is targeting those who rent out their property for a few weeks during the year but claim a full year's worth of tax deductions.

The tax office will be paying close attention to rental property owners, especially those who own a holiday home, who incorrectly claim for initial repairs to recently acquired rental properties.

Last year, the ATO sent out letters across Australia reminding people to only claim deductions that they are entitled to for the periods that their rental property was rented out or genuinely available for rent.

While the majority of taxpayers who received those letters reduced their claims, a key concern that remains is people making claims for expenses when a property is not genuinely available for rent.

With the ATO taking a more broad approach in monitoring rental deductions, now may be the perfect opportunity for holiday home investors to review the rules surrounding holiday home tax deductions to ensure that they can address any risks or issues in a timely manner.

Areas where rental property owners are incorrectly claiming deductions include:

- Claiming excessive deductions.
- Partners splitting income and deductions.
- Repairs or maintenance claims.
- Claiming for interest deductions.

Homeowners should be aware that it is not just holiday homes that are under focus by the ATO. The office will also commence addressing rental property owners who incorrectly claim deductions as well.

A common mistake that has risen among rental property owners is claiming for deductions for initial repairs to rectify damage, defects or deterioration that existed at the time of purchasing the property.

Taxpayers are not entitled to claim a deduction for any repairs made to their rental property for issues that existed when they purchased it, even if the repairs were carried out to make the property suitable for rent.

Instead, the cost of these repairs is used to work out any profit or capital gain, when the property is sold.

Collins & Co Not-For-Profit Conference

Be Empowered Through Knowledge

Building on last year's success, we are again hosting a Conference tailored specifically to the Not-For-Profit sector:

Thursday March 17, 2016 at the MCG.

The Conference program highlights will include Chris Varney, the Chief Enabling Officer of I CAN NETWORK, Australia's first business founded by people with Autism, and, two expert streams of speakers, either technical (audit, legal and management skills) or soft skills (business tools, brand marketing, business relationship management and change management) - discussing topics including Social Enterprises, Branding and Brand Protection, Business Relationships, Change Management, Online Reputation Management, Business Tools and Fraud.

More information can be found at:

http://www.collinsco.com.au/conference/2016-not-for-profit-conference-be-empowered-through-knowledge

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Ebook

Ryk Eksteen, our Audit Principal, has recently released an ebook for the NFP sector, entitled:

Your NFP Financial Statement Audit: How to Avoid the Common Pitfalls in your Financial Statements

Ryk has drawn on over twenty years experience in advising and auditing NFP's, highlighting the common major issues and mistakes, the implications and effects they can have and most importantly, how they can be corrected. This is essential reading for anyone involved in governing or managing a NFP but is also is very applicable for anyone in business as well.

It is available from our website at

http://www.collinsco.com.au/your-nfp-financial-statement-audit-how-to-avoid-the-common-pitfalls-in-your-financial-statements

CollinsCo Wealth Management—Introducing Tim Fuller

Tim Fuller has joined us from Mercer Financial Advice, a highly regarded financial planning business. Tim holds a Master of Business Administration, a Bachelor of Engineering and is a Certified Financial Planner (CFP). The CFP is a globally recognised financial planning 'gold standard' which ensures that members are continuing to strive for the best outcomes for their clients.

He enjoys ensuring that clients reap the benefits of the CollinsCo Wealth Management private client experience through prudent investment in the Australian and Overseas stock markets along with ensuring appropriate exposures in line with their goals and objectives.

On weekends, Tim looks forward to spending time with his new daughter, running and trying to fit in a game of golf!

If you would like to receive the Collins Xpress newsletter via email instead of hard copy please email partner@collinsco.com.au

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