

Collins & Co Fourth Annual NFP Conference at the MCG!

The Fourth Annual NFP Conference, hosted by Collins & Co at the MCG on March 15th 2018, was a huge success.

The conference featured practical presentations of expert knowledge in the Not-For-Profit Sector.

Our attendees had the opportunity to be able to listen to our keynote speakers David Locke and Susan Alberti who gave a fantastic speech.

Our attendees were able to purchase Susan Alberti's book 'The Footy Lady' and have it signed by the Footy Lady herself!

A big thank you to all the Speakers, sponsors and Collins & Co staff for organising such a fantastic day.

An enjoyable day was had by all, learning from the presenters about their specialist topics and enjoying the view across the Oval!

The date for the Fifth Annual Not-For-Profit Conference will be announced within the next 2 months.



PARTNERS

Ivan Anzanello
Fabio Cammarano
Michael Hollowood
Paul Kelly

SERVICES

Tax Advice
Superannuation
Business Advisory
Audit
Succession Planning
Business Valuations
Estate Planning
Wealth Creation
Finance

CONTENTS

Our fourth Annual NFP Conference at the MCG on March 15 2018!	1
FBT issues that raise ATO attention	2
Maximising efficiency in your business	2
Digital currency no longer subject to double tax	3
ATO targeting cash-only businesses	3
Understanding various kinds of super fees	4
Common SMSF mistakes to avoid	4
Is your business prepared for Single Touch Payroll?	5
Employer checklist to help you get ready	5
Employee end-of-year pay information	5
Who is and is not an employee?	6
How single touch payroll works	6
Client Success Story—Eat Me	7
The ATO's BT Hot Spot	9
Collins & Co Blog	10



FBT issues that raise ATO attention

With the FBT year-end just around the corner, it is a good time to review your FBT compliance to avoid raising attention from the Australian Tax Office (ATO).



The ATO is currently targeting the following rules for FBT:

■ Motor Vehicles

Situations where an employer-provided motor vehicle is used or available for private travel for staff. This is a fringe benefit and must be declared on the FBT return (if lodgment is required). However, there are some circumstances where this is exempt; be sure to check before lodgment.

■ Employee contributions

The ATO focus on employee contributions that have been paid by an employee to an employer and are declared on both the FBT return and employer's income tax return to ensure they are correctly reported.

■ Employer rebate

A taxpayer must be a rebatable employer to claim a FBT rebate, the ATO will check the taxpayer's eligibility as some employers incorrectly claim for this rebate.

■ Living-away-from-home (LAFHA) allowance

Common errors with the LAFHA allowance include claiming

reductions for ineligible employees, failing to obtain declarations from employees, claiming a reduction in the taxable value of the LAFHA benefit for exempt accommodation and food in invalid circumstances and failing to substantiate expenses relating to accommodation and food or drink.

■ Non-lodgement

Employers who provide fringe benefits must lodge a FBT return unless the taxable value of all benefits has been reduced to nil.

■ Car parking valuation

Common errors include market valuations that are significantly less than the fees charged for parking within a one km radius of the premises on which the car is parked, the use of rates paid where the parking facility is not readily identifiable as a commercial parking station, rates charged for monthly parking on properties purchased for future development that do not have any car park infrastructure, and insufficient evidence to support the rates used as the lowest fee charged for all day parking by a commercial parking station.

Maximising efficiency in your business

Creating an efficient workplace is desirable for both staff and business owners alike. Not only does it save money and time, it can also improve productivity and morale.

Here are five ways to improve efficiency in your business:

Examine what is and isn't working

Identifying your business' strengths, weaknesses and opportunities goes a long way in improving efficiency. Look at your processes and procedures in your business model and analyse the need for improvement. Over complicating or introducing multiple new systems can often slow your progress rather help it.

Automate where possible

Automating monotonous tasks can save time and prevent employee boredom, which can impact productivity. It also means employees can spend more time on tasks and projects of more importance and urgency to the business.

Minimise interruptions

Continual interruptions are a surefire way to decrease productivity. Between answering emails, attending meetings, requests from coworkers, etc., it is no wonder employees find it hard to concentrate. Try to limit interruptions such as unnecessary meetings and encourage staff to respond to emails in set time frames rather than checking up on them non-stop.



Avoid multitasking

Concentrating on completing one task at a time is much more effective than multitasking as it allows you to get into the flow of work. Switching between tasks often interrupts this flow and disrupts concentration. Try to block out chunks of time for each individual task to maximise productivity.

Foster the right environment

Creating an environment where communication and collaboration are highly valued is paramount to business efficiency. Encourage face-to-face communication and communication between departments to improve feedback.

Digital currency no longer subject to double tax

The Government has announced that the GST treatment of digital currency, such as Bitcoin, is now the same as using money for purchases of goods and services.

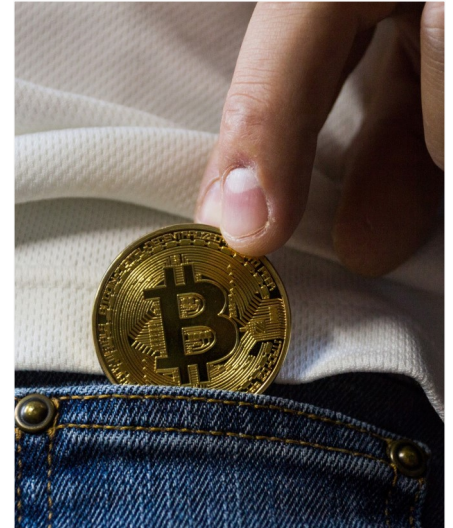
Businesses that use digital currencies will no longer need to pay GST twice, as of 1 July 2017.

The Commissioner of Taxation accepts that affected taxpayers may lodge BAS in accordance with either the current law or in accordance with the new law from 1 July 2017 until the corresponding amendments made to the GST Regulations are registered.

The following will apply if the GST Regulations are registered:

- Taxpayers who correctly anticipated the law do not need to act.
- Those who did not anticipate the law, i.e., acted in accordance with the current law, will be required to lodge requests for an amended assessment.

Taxpayers may receive a refund of overpaid GST provided the amendment results in a reduction in liability (subject to restrictions). If the amendment results in an increase to your liability, no tax shortfall penalties will apply and any general interest charge associated with the shortfall will be remitted to nil for a period up until 28 days after the amending Regulations are registered.



ATO targeting cash-only businesses



To protect honest, compliant Australian businesses, the Australian Taxation Office (ATO) has placed a strong emphasis on targeting the cash and hidden economy

The ATO is visiting businesses that deal predominantly in cash, with a focus on those that:

- Fail to meet super or employer obligations, and that fail to register for GST or lodge activity statements.
- Operate outside regular small business benchmarks specific to their industry.
- Show discrepancies between what they have reported and ATO collected data relating to electronic payments.
- Operate and advertise as cash-only.
- Income does not correlate with the lifestyle of the business owner, i.e., assets and spending habits exceed what is expected of someone with their reported income.
- Pay their employees cash-in-hand.
- Estimate their sales and income.
- Use the 'no sale' and 'void' button on cash registers when taking cash payments.
- Do not reconcile at the end of the day and do not keep cash register tapes.

- Are reported to the ATO by members of the community or any third party regarding potential tax evasion.
- Are part of an industry that is known for dealing primarily in cash-only.

When out visiting cash-only businesses, the ATO will be working in unison with local authorities and industry associations to ask questions and discuss:

- Why the business operates primarily or only in cash.
- The need to lodge tax returns and activity statements.
- How to be compliant in relation to tax and super obligations.
- Different claims and tax deductions businesses can make.
- The general community preference to have EFTPOS or electronic payment options available to them.
- Benefits of electronic payment and record keeping facilities.
- Relaying tools and services businesses can use if they are struggling to ensure they are compliant with Australian tax laws.

If the ATO comes across a business that is doing the wrong thing or failing to meet their obligations, they have a duty to take action. This may result in the business facing an audit and possible prosecution.

If you have made a mistake and make a voluntary disclosure detailing your errors, the ATO will work with you to rectify this and create a solution.



Understanding various kinds of super fees

No matter the kind of super fund you opt for, you will be subject to super fees. Understanding how these fees work and the difference they can make to your nest egg is vital.

When it comes to super fund fees, there are two factors you need to get your head around; the kinds of fees you are being charged and the rate of fees you pay. Opting for a super fund based on these two factors can see you retire with hundreds of thousands more money.

You should be aware of the various types of fees you are being charged. If you would like to find out the fees you are being charged, you should do two things. Firstly, Google your fund's product disclosure statement and scroll through to the fees section. You should see a list of different types of fees, with an explanation of what they are, how they are applied, and how often they will be incurred. Secondly, you should log in to your super fund account and take note of all the fees being charged to you. Investigate how closely these correspond and correlate with the product disclosure statement.

If you feel there are discrepancies, do not hesitate to contact your super fund or financial advisor and ask for clarification. It is worthwhile doing your research and comparing the fees you are

being charged against other super funds and what they charge. Being complacent and not paying attention to your super is extremely irresponsible; the dividends you will receive later in life for being diligent now outweigh the burden of taking time to be informed today.

Some common fees across the board include:

- **Administration fees:** fees covering the costs of operating and managing your super fund account.
- **Exit fees:** fees incurred for leaving or switching super funds. While this is a common fee, not all funds charge it.
- **Investment fees:** fees incurred due to the cost of managing where your money is invested. These fees can fluctuate, depending on where your money is invested.
- **Activity-based fees:** fees incurred for any activity you require your super fund to perform outside of the ordinary management of your account, such as a family law split fee.



Another major factor contributing to how much you accumulate in your super account throughout your working life is the rate of fees you pay. Plain and simple, some funds offer much lower fees than others, creating a difference of hundreds of thousands of dollars when it comes time to retire.

Generally, funds are categorised into three groups; low super fees, medium super fees and high super fees. You will need to weigh up your options and decide whether you want a fund that charges low, medium or high super fees. While it seems like the best option to choose a fund with low super fees, these funds do not necessarily perform as well as medium or high fee super funds. Making a fund analysis before weighing in would be wise.

Common SMSF mistakes to avoid

Running a self-managed super fund can be great strategy for your super and your retirement, provided you manage it correctly.

To ensure you can enjoy the later stages of life and retire comfortably, you will need to be aware of common SMSF mistakes and how to avoid them.

Record Keeping

Bad record keeping when it comes to SMSFs is very common and very problematic. If the ATO decides to look into your SMSF and your record keeping is subpar, you and the rest of the members of the fund could land themselves in hot water. Good record keeping practices are a great preventative measure for being liable for fines and penalties should the ATO choose to investigate the fund. It is also a great habit to get into as proper documentation makes all decision making regarding your fund much more legitimate.

Financial assistance or loans to members

By law, you cannot loan or offer financial assistance to a member of the self-managed super fund at anytime, either directly or indirectly. Many members entertain the mindset that because it is their money, they can allocate loans to other members and to themselves, but this is not the case. Should the ATO catch a member of an SMSF doing this, they will face harsh penalties. They may also lose all concessional tax benefits, which impacts the whole fund and not just the guilty member.

Contribution cap

According to the Australian Taxation Office, if a member of a self-managed super fund makes a contribution or their contributions in any given financial year exceed the contribution caps, they may be liable for an additional tax on the excess contributions. As of 1 July 2017, the contribution cap for all members of an SMSF regardless of age is \$25,000 which is taxed at a rate of 15 per cent.



If members contribute over this amount, they could be taxed at 47 per cent on additional contributions.

Education

For the most part, most mistakes or errors surrounding your SMSF and the management of the fund can be avoided if you and the other members in the fund educate themselves on rules, regulations and strategies to remain compliant. With the internet available virtually everywhere, you can always read up on and stay up to date with ways to run the SMSF effectively. Just be aware of where you are getting your information from and ensure it is a trustworthy site. You can also always speak to your financial advisor for guidance and advice.

Is your business prepared for Single Touch Payroll?

Single Touch Payroll is a government initiative to streamline business reporting obligations, which is due to become compulsory from 1 July 2018. When a business pays its employees, the payroll information will be sent to the ATO via the business's payroll software.

Reporting under the Single Touch Payroll (STP) system removes the requirement to issue payment summaries, provide annual reports and tax file number declarations to the ATO. During the first year of its introduction, the ATO says employers will not be liable for a penalty for a late STP report.

Important points to keep in mind for the transition to STP include:

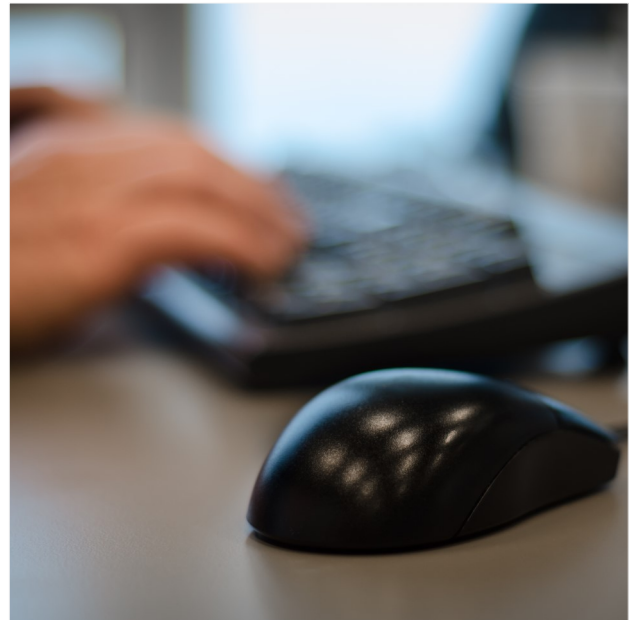
- Employers with 20 or more employees will need to start reporting through STP from 1 July 2018.
- You will report salary or wages, pay as you go (PAYG) withholding and super guarantee information to the ATO when employees are paid.
- To determine if you are required to report through STP, you will need to do a headcount of employees on 1 April 2018 (more below).
- You may have the option to invite employees to complete tax file number (TFN) declarations and super standard choice forms online.
- Payroll software will need to be updated to a version that supports STP.
- If your software was already STP enabled, you could have already been able to report through STP from 1 July 2017.



Employee end-of-year pay information

If you report an employee's details through STP, you will not have to provide that employee with a payment summary at the end of the financial year. You also won't be required to provide the ATO with a payment summary annual report for those employee's details.

You will need to notify the ATO when the payment summary data is considered final. The ATO will make that information available to employees (and their tax agent) through myGov, and as pre-filled information in their tax return.



Employer checklist to help you get ready

Step 1: Do a headcount of the employees you have on 1 April 2018

Count the number of employees you have on your payroll on 1 April 2018 to find out if you are a "substantial employer". If you have 20 or more employees on that date you will need to report through STP.

Step 2: Update your payroll when it's ready

Right now, payroll software and service providers are updating their products. A software product catalogue is available on the Australian Business Software Industry Association (ABSIA) website (search for "absia product catalogue"). The catalogue will be updated as payroll solutions are STP-enabled.

You may wish to talk to your payroll software or service provider or third party provider for more information about your product, and when it will be ready.

Step 3: Start reporting through Single Touch Payroll

You can't start reporting when your payroll solution is ready. Also note that:

- **You will not be penalised.** You will not be liable to pay a penalty for a late report during the first 12 months you are required to report through STP, unless the ATO first gives you written notice advising that a failure to report on time in the future may attract a penalty.
- **It's okay if you make a mistake.** When you start reporting through your STP-enabled payroll solution, you will be able to correct any errors you make in a later STP report.
- **PAYG withholding payments.** You will still have the option to pay your PAYG withholding more regularly, for example, when you pay your staff. However, there is no change to current payment due dates.

Who is and is not an employee?

The following employees need to be included in the headcount:

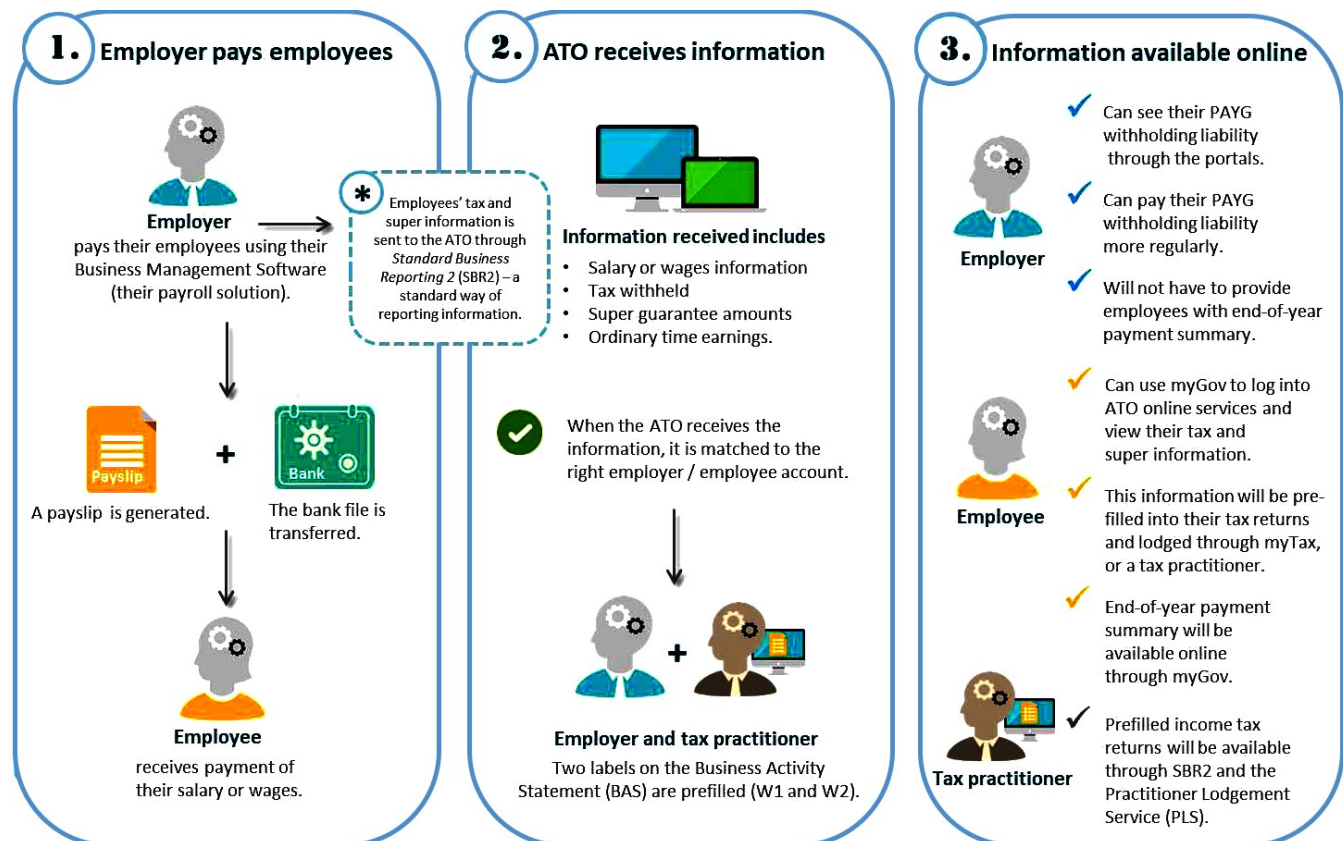
- Full-time employee.
- Part-time employees.
- Casual employees who are on the payroll on 1 April and worked anytime during March .
- Employees absent or on leave (paid or unpaid).
- Seasonal employees (staff who are engaged short term to meet a regular peak workload—the ATO example is harvest workers).



When performing the headcount, the following are not included:

- Any employees who ceased work before 1 April.
- Casual employees who did not work in March.
- Independent contractors.
- Staff provided by a third-party labour hire firm.
- Company directors.
- Office holders.
- Religious practitioner.

How single touch payroll works





Client Success Story—Eat Me

What's Eat Me

Eat me was created through a need in our community for affordable and tasty take away food. We wanted variety in our food and we could see that we, and others around us were time poor and looking for something healthy and yummy that we didn't have to cook ourselves.

So that got us thinking. We love our community and we love to feed people. "So let's build a kitchen in our garage" one of us crazy cats said!! And we did.

We put together a menu for every season and it gets rotated through that particular season, the menu is created with the seasonal produce in mind so it will be always tasty and fresh. The orders are to be placed 48 hours in advance, we only cook on order to minimize waste and pass on the savings to you. So, let us do some of the cooking for you and we will deliver to you or you can choose to pick up.

We also put together a small selection of our favourite jams, marmalades, and other treats that can always be purchased as well.

Want to know more, check our website <https://www.eatmesoulfood.com/> and follow us on Facebook and Instagram.



DELICIOUS HOMEMADE MEALS READY PREPARED FOR YOU TO HEAT AND EAT AT HOME. (OR ANY WHERE YOU PLEASE REALLY, IT'S NOT OUR BUSINESS!) JUST EAT ME.

How to Eat Me

ORDERING DELICIOUS HOMEMADE FOOD IS EVEN EASIER THAN EATING.



Discover the weekly menu, one option per day. It could be meat, vegetarian, vegan or gluten friendly. The menu changes every week!



Select the meal that you like or as many as you like on any day of the week. submit your order.



Get your meal delivered to your door by selecting a time that you can be home to receive your order or if you like swing by and pick

Delivery Zones

SEDDON | MAIDSTONE | YARRAVILLE | BRAYBROOK | FOOTSCRAY | WEST FOOTSCRAY |
KINGSVILLE
MELBOURNE, AUSTRALIA

If your place is not in the zones above you can choose Local Pickup.

The ATO's FBT Hot Spot

The Fringe Benefits Tax (FBT) year ends on 31 March. We've outlined the key hot spots for employers and employees.

Motor Vehicle—using the company car outside of work

Just because your business buys a motor vehicle and it is used as a work vehicle, that alone does not mean that the car is exempt from FBT. If you use the car for private purposes - pick the kids up from school, do the shopping, use it freely on weekends, garage it at home, your spouse uses it - FBT is likely to apply. While we're sure the old, "what the ATO doesn't know won't hurt them" mentality often applies when the FBT returns are completed, it might not be enough. The private use of work vehicles is firmly in the sites of the Australian Tax Office (ATO).

Private use is when you use a car provided by your employer (this includes directors) outside of simply travelling for work related purposes.

If the work vehicle is garaged at or near your home, even if only for security reasons, it is taken to be available for private use regardless of whether or not you have permission to use the car privately.

Similarly, where the place of employment and residence are the same, the car is taken to be available for the private use of the employee.

Finding out that a car has been used for non work-related purposes is not that difficult. Often, the odometer readings don't match the work schedule of the business. These are areas the ATO will be looking at.



Utes and commercial vehicles—the new safe harbor to avoid FBT

When an employer provides an employee with the use of a car or other vehicle then this would generally be treated as a car fringe benefit or residual fringe benefit and could potentially trigger an FBT liability.

However, the FBT Act contains some exemptions which can apply in situations where certain vehicles (utes and other commercial vehicles for example) are provided and the private use of the vehicles is limited to work-related travel, and other private use that is 'minor, infrequent and irregular'.

One of the practical challenges when applying the exemption is how to determine if private use has been minor, infrequent and irregular. The ATO recently released a compliance guide that spells out what the regulator will look for when reviewing the use of the exemption.

The ATO has indicated that in general, private use by an employee will qualify for the exemption where:

- The employer provides an eligible vehicle to the employee to perform their work duties. An eligible vehicle is generally a vehicle for commercial purposes. The requirements are very strict and guidance on this is published on the ATO website.
- The employer takes reasonable steps to limit private use and they have measures in place to monitor this – this might be a policy on the private use of vehicles that is monitored using odometer readings to compare business kilometres and home to work kilometres travelled by the employee against the total kilometres travelled.
- The vehicle has no non-business accessories – for example a child safety seat.

- The value of the vehicle when it was acquired was less than the luxury car tax threshold (\$75,526 for fuel efficient vehicles in 2017-18 and \$65,094 for other vehicles).
- The vehicle is not provided as part of a salary sacrifice arrangement; and
- The employee uses the vehicle to travel between their home and their place of work and any diversion adds no more than two kilometres to the ordinary length of that trip, they travel no more than 750 km in total for each FBT year for multiple journeys taken for a wholly private purpose and, no single, return journey for a wholly private purpose exceeds 200 km.

If you meet all these specifications, the ATO has stated that it will not investigate the use of the FBT exemption further. However, the employer will still need to keep records to prove that the conditions above have been satisfied and to show that private use is restricted and monitored.

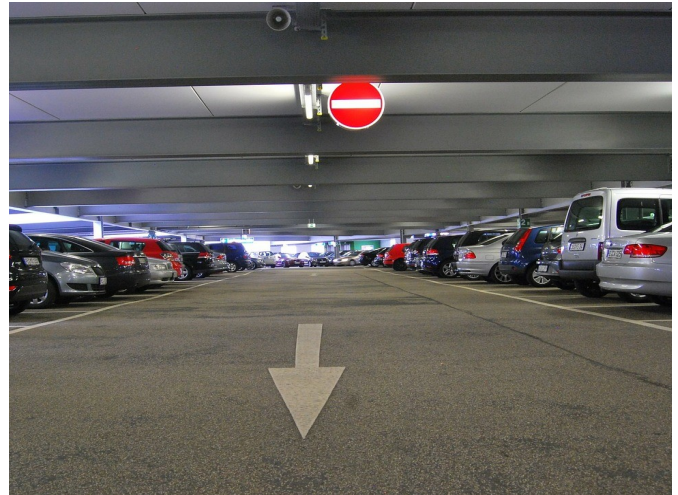


Car Parking

We all know how expensive commercial car parks can be. The ATO has noticed that where car parking benefits are being declared (that is, where an employer provides parking to an employee), the value of what is being declared is significantly less than what you would expect to pay.

Common errors include:

- The Market valuations that are significantly less than the fees charged for parking within a one kilometre radius of the premises on which the car is parked;
- Using parking rates or facilities not readily identifiable as a commercial parking station;
- Rates charged for monthly parking on properties purchased for future development that do not have any car parking infrastructure; and
- Insufficient evidence to support the rates used as the lowest fee charged for all day parking by a commercial parking station.

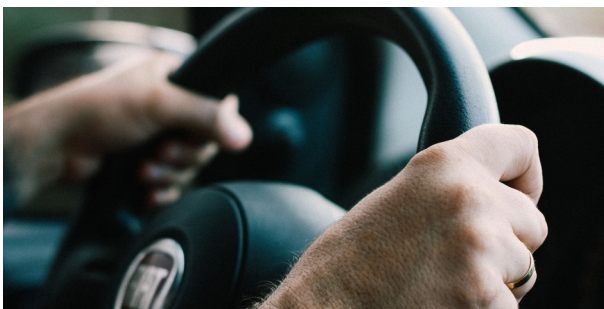


Living away from home allowances

Living Away From Home Allowances (LAFHA) continue to cause confusion for both employers and employees.

A LAFHA is an allowance paid to an employee by their employer to compensate for additional expenses they incur, and any disadvantages suffered because the employee's job requires them to live away from their normal residence.

As a starting point, FBT applies to the full amount of the allowance that has been paid. However, if certain strict conditions can be satisfied the taxable value of the LAFHA fringe benefit can be reduced by the exempt accommodation and/or food component.



Common errors include:

- Mischaracterising an employee as living away from home when they are really just travelling in the course of their work.
- Failing to obtain the declarations required from employees who have been provided with a LAFHA.
- Claiming a reduction in the taxable value of the LAFHA benefit for exempt accommodation and food components in circumstances that don't meet the criteria
- Failing to substantiate accommodation expenses and, where required, food or drink. Verifying accommodation expenses is important as the ATO will look closely for scenarios where employees are paid an allowance but go and stay with friends or relatives or stay somewhere cheaper and pocket the difference. The expense actually has to be incurred and substantiated.

Salary sacrifice or employee contribution?

One issue that frequently causes confusion is the difference between the employee salary sacrificing in order to receive a fringe benefit and making an employee contribution towards the value of that fringe benefit.

Salary Sacrificing for a fringe benefit

To be an effective salary sacrifice arrangement (SSA), the agreement must be entered into before the employee becomes entitled to the income (e.g., before the period in which they start to perform the services that will result in the payment of salary etc.).

Where an employee has salary sacrificed on a pre-tax basis towards the fringe benefit provided – laptop, car, etc., they have agreed to give up a portion of their gross salary on a pre-tax basis and receive the relevant fringe benefit instead.

As a starting point, the taxable value of the fringe benefit is the full value of the expense paid by the employer.

The employer recognises a lower cost of salary and wages provided to the employee as their 'cost saving', which results in lower PAYG withholding and superannuation contribution obligations, but they still recognise the full value of the fringe benefit as part of their taxable fringe benefit which is subject to FBT.

The employee recognises that they have a reduced amount of salary and wages, and a non-cash benefit in the form of the fringe benefit.



What is an employee contributions?

An employee contribution is made from post-tax income and will often form part of arrangements relating to car fringe benefits. The employee recognises the gross salary and wages as income in their tax return. However, the payment of an after-tax employee contribution would generally have the effect of reducing the taxable value of the fringe benefit that was provided to them by the employer.

The employer would still be subject to the 'standard' PAYG withholding and superannuation contribution obligations in relation to the gross salary and wages amount.

The ATO is looking for discrepancies with contributions paid by an employee to ensure that these have been treated consistently for income tax and GST purposes as well as on the FBT return. This is really an issue for the employer and a discrepancy may mean that there is an FBT exposure or that the employer has paid less GST or income tax than what they should have.



Have you checked the Collins & Co Blog and social media recently?

Like our Facebook page and keep up with the news at Collins & Co! We provide you with the latest important tax information and we give you the opportunity to see what our staff members get up to when they are not working hard at Collins & Co!

<http://www.facebook.com/CollinsCoCPA>

Our blog is one of the quickest ways to communicate the latest news and updates to you.

<http://blog.collinsco.com.au>

Our blog content is categorized and searchable, and you can leave comments which will be replied to as required. The blog's Business Calendar also provides useful information such as ATO due dates and there are links to our website and our social media platforms.

These blogs are also automatically shared via the firms social media platforms: LinkedIn, Facebook & Twitter:

Facebook <http://www.facebook.com/CollinsCoCPA>

Twitter <http://www.twitter.com/CollinsCoCPA>

LinkedIn <http://www.linkedin.com/company/collins-&-co>

So check them out and please like, share & follow Collins & Co.

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

Collins & Co uses your personal information for the purposes of communicating relevant services and information about our other services that may be of interest to you.

To view our privacy policy please visit www.collinsco.com.au/privacy-policy.html.

If you do not wish to receive these newsletters anymore, or want to add someone else to the list please email partner@collinsco.com.au.

The material contained in this publication is intended to provide a general summary only and should not be relied on as a substitute for professional advice.

Collins & Co
127 Paisley Street, Footscray VIC 3011
T: (03) 9680 1000 | F: (03) 9689 6605
E: partner@collinsco.com.au



Collins & Co
CERTIFIED PRACTISING ACCOUNTANTS