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PARTNERS

2019 MARCH

Quarterly Newsletter

Green Taylor Partners



T&G Building, Horsham

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Superannuation Planning - What is happening, what might happen?

Matt Richardson

Peter Cramer, Kerry Schultz and Matt Richardson recently attended the SMSF Association National Conference in Melbourne.

Some time was spent reviewing the status of a couple of policy announcements from last year's budget as well as reviewing some of Labor's proposals for superannuation should they win Government. Below we have provided some comments on these announcements:

Previous Policy Announcements

- ❖ **3 yearly audits for SMSFs** – the basis of this announcement was to look at ways to possibly save compliance costs for Trustees. There were many SMSFs which would be excluded from this (eg if there was a related party transaction, in-specie contributions, borrowings, member death or death benefit paid during the year and pension commencement during the year. The SMSF Association's position was this would not save costs as it increases the likelihood of errors occurring and three years' worth of audits still have to be carried out. Regardless – there has been no legislation introduced to Parliament and there is not even any draft legislation in place at this stage. It appears unlikely to be introduced prior to the election and if Labor win Government, they are unlikely to reintroduce this policy!
- ❖ **Increase maximum SMSF member numbers from 4 to 6** – this is to cater for larger family groups. The advantages seen with this policy are the pooling of more member benefits which lowers the administration costs per member, the ability to purchase certain assets (such as direct property) due to having greater funds available and the ability to combine accumulation and pension members in the one SMSF (which would assist in counterbalancing the impact of the loss of refundable franking credits for pension members). However – there will be disadvantages which will also need to be considered. These include:
 - ❖ How will decisions now be made? Is it one member one vote? Is it by account balance? What if mum and dad have 90% of the assets and the 4 kids have 10% of the assets?
 - ❖ Are separate investment strategies required for each member?
 - ❖ Will this increase administration costs due to segregation rules having to be met?

Labor Superannuation Proposals

- ❖ The obvious one here, which is not limited to SMSFs, is the abolition of the refund of surplus franking credits;

- ❖ To lower the annual non-concessional contributions cap from \$100,000 to \$75,000;
- ❖ To repeal the recently introduced concessional contribution "catch up" rules. This was introduced to assist taxpayers with an irregular work history and smaller super balances (less than \$500,000) where if you hadn't fully utilised the maximum annual concessional contributions cap of \$25,000 in any of the last 5 years you could "catch up" the unused portion;
- ❖ To repeal the abolition of the 10% rule. **THIS IS SIGNIFICANT.** Prior to 1 July 2017, in order for a wage earner to claim a tax deduction for superannuation contributions, less than 10% of their total income could be in the form of wages. This was recognised as an archaic and discriminatory rule and was abolished from that date. Labor wants to reintroduce the 10% rule which would severely impact employees!
- ❖ To abolish the ability of SMSFs to borrow via Limited Recourse Borrowing Arrangements (LRBAs).
- ❖ To lower the "Division 293" threshold from \$250,000 to \$200,000. This relates to higher income earners. Where their "adjusted" taxable income is above these thresholds they will effectively incur an extra 15% tax (to a total of 30%) on the contribution.
- ❖ End the freezing of the 9.5% Superannuation Guarantee rate for employees and fast track an increase to 12%.

With the increasing likelihood of a change of Government, we are approaching the unknown. Will Labor's proposals go through or will there be changes? We don't know the answer to that. However, as soon as changes appear, we will be in touch with you all about how it will/may affect you.

For all of your superannuation queries – contact the team at Green Taylor Partners.



Important Dates

March

- ❖ 21st Lodge and pay February 2019 monthly business activity statement.

April

- ❖ 21st Lodge and pay March 2019 monthly business activity statement.
- ❖ 28th Lodgement and payment of March Quarterly Activity Statement due.
- ❖ 28th Make super guarantee contributions for quarter 3, 2018–19 to the funds by this date.

May

- ❖ 15th Due date for lodgement of all tax returns
- ❖ 21st Lodge and pay April 2019 monthly business activity statement.



Schedule appointments

Green Taylor Partners is pleased to announce a new way for clients to easily book time with their trusted advisor.

By simply visiting our website greentaylor.com.au and clicking on **Schedule Appointment** found at the top of the page you can make an appointment without having to wait for the office to be open. Simply select whom you'd like to make an appointment with, choose what type of appointment you'd like to make, and find the day & time that suits you best. It's that easy.



ASIC Scam Reminder

Scammers have been contacting ASIC customers asking them to pay fees and give personal information to renew business names or company registrations. The emails often link to fake ASIC invoices that have incorrect payment details or infect your computer with malware when you click on them.

An email may not be from ASIC if it asks you:

- ❖ To make payment over the phone
- ❖ To make payment to receive a refund
- ❖ For your credit card or bank details directly by phone or email

For business names ASIC will issue a renewal notice 30 days before your renewal date.

For companies your company statement will generally come directly from Green Taylor Partners within a week or two of your review date.

If it is outside the usual timeframe it might be a scam.

If you have received emails or phone calls of this nature from ASIC and are not sure please check either directly with ASIC or by contacting our office.



Do you need a business agreement? David Hadley

Going into business with other people can be extremely exciting and rewarding. Having a formal agreement in place can set the ground rules and assist if things don't quite go as they should. You and your business partners need to agree on the terms of your business relationship and how the business will be run.

Depending on your structure, a partnership agreement, a shareholders agreement or a unit holders agreement will assist with this relationship.

This agreement should include important points such as:

- ❖ The agreed responsibilities of each business partner in the operation of the business,
- ❖ Future funding options
- ❖ What are the exit options
- ❖ How will profit be shared
- ❖ What is the decision making processes
- ❖ The procedure in the case of a business partner becoming incapacitated.

It is important spending time with your business partners to consider and discuss at least items that include:

- ❖ The business vision, mission and values. This gives some direction and culture focus to the business.
- ❖ What roles will be required by each partner
- ❖ Remuneration levels
- ❖ What happens if someone becomes incapacitated
- ❖ How will a voluntary or involuntary exit of a business partner be handled
- ❖ Will there be any restraints upon exits
- ❖ How will the business be valued

Once discussed, issues that arise will need to be documented and agreed too. Putting an agreement in place prior to the start of any relationship, this can save a lot of time, money and emotional drain in the future.



GTP Birthdays

- ❖ 21st March - Daniel Blay
- ❖ 30th March - Kerry Schultz
- ❖ 22nd April - Chris Foster
- ❖ 23rd April - Jodie Mills
- ❖ 30th May - Penny Fisher



Three financial mistakes made by many businesses

David Hadley

Many of our clients tell us that they got into business to make more money, achieve a better lifestyle, or simply because they felt they could do a better job than their old boss. Although many do possess business skills, financial acumen is rarely high among them. In this article, we list three common financial mistakes that we observe frequently.

1. Fail to plan, plan to fail

Not enough businesses have a working budget and cash flow forecast that is frequently updated and compared to actual results. Consequently, they make important financial decisions without all of the information that they need. A strong budget requires the following information, presented on a month by month basis and ideally adjusted for seasonality:

- Sales – Your sales forecast should be broken down by product or service line and calculated as number of sales multiplied by average sale value.
- Variable costs – These are costs that go up or down in line with sales and, as such, should be driven by your sales forecast.
- Fixed costs – Unless there are any significant changes, these can be taken from your most recent financial statements and adjusted for any known or expected increases. They are the costs that you incur irrespective of sales volume.

Once you have a budgeted profit and loss account, you should then create a cash flow forecast. This differs from the budgeted profit and loss account because it takes into consideration other cash inflows and outflows. As such, it needs to take into account how long it takes for customers to pay you, how quickly you turn over inventory, how quickly you pay your vendors, any loan repayments due and any forecasted capital expenditure or drawings that will not appear in the budget profit and loss account. With this information, a forecast balance sheet can be created, which will almost certainly be a requirement should you require finance from a bank.

2. Financing capital expenditure out of cash flow

As a general rule, it is good practice to match cash flow with the lifetime of a purchase. For example, if you are purchasing inventory to sell in the short term, then you should use day-

to-day working capital. But if you are buying a new delivery truck with a five-year life, then you should aim to finance it over five years.

Similarly, don't fall into the trap of spending your business's money on impulse purchases out of your cash flow if you have one good quarter. Unless you are confident that strong sales will continue, you could be digging a hole for yourself if sales regress back to prior levels.

3. Failing to understand the difference between profit and cash flow

One of the most frequent questions we hear from our clients is, 'I can see there is profit in the accounts, but I have no cash in the bank – what's going on?'

What is typically happening in that scenario is decisions are being made with reference to 'book profit' without properly understanding how cash flow can differ – sometimes quite significantly – from profit. For example, excess drawings by the business owners do not appear in the profit and loss account, but they clearly drain cash. Also, you might close a big deal with a major customer and book the revenue as sales, but if they don't pay you for 90 days, you could find yourself in a tight spot. Similarly, you might commit the business to a large loan to finance new machinery, but the capital element of the loan repayments will not show up on the profit and loss account.

Solid financial reporting can improve decision making by demonstrating the difference between profit and cash and forecasting the cash position over the next few months.

Our firm has the skills to help you avoid all of these mistakes and we'd be delighted to talk with you about strengthening your financial reporting processes so that you can make more informed business decisions.



FBT Odometer Reminder

The 31st of March marks the end of the FBT year. We will shortly be sending mail-outs to clients of whom we are aware that FBT may apply to. In the meantime, could you please highlight the date on your calendars and record the odometer readings of all cars as at the 31st March 2019. This can be as simple as taking a photo of your cars odometer's on your mobile phone or jotting it down. We will also be looking for copies of any new car tax invoices for cars acquired in your business for the period 01/04/18 - 31/03/19.



Recent GTP Bookkeeping Seminars

Jess Sluggett

Throughout January and February the team at GTP have been busy presenting seminars focusing on cloud accounting software. 7 sessions were held across Horsham, Rainbow, Nhill, Harrow and Goroke with many clients hearing about new software from Rohan, Jess and Georgia.

The team covered off on some of the major features in cloud software and why businesses using software such as Banklink Books, Quicken, Cashflow Manager, Agrimaster, Phoenix and desktop versions of MYOB and Quickbooks should consider upgrading.

Software demonstrations of Xero and MYOB Essentials generated many questions with the team sharing what they love and what could be improved in each.

If you missed out on attending the sessions and would like more information we encourage you to contact your Accountant at Green Taylor Partners.



Selling Commercial Property

There are a number of issues to consider if you are selling commercial property such as shops, factories or offices (this is not an exhaustive list).

Capital Gains

When you sell (cease to own) a commercial property, you're likely to make a capital gain or capital loss. Capital gains are subject to capital gains tax with possible discounts for individuals and trusts, and there may be concessions for small business.

GST

If you sell commercial property, you're generally liable to charge and remit this GST to the ATO. There are however, circumstances when GST is not required to be charged.

A number of conditions need to be considered in relation to GST status of both buyer and seller.

Stamp Duty

Stamp duty may also need to be paid by the purchaser of commercial property.

Each situation needs careful consideration so please refer to your trusted advisor.



Latest Scams

Tax scams

The Australian Taxation Office (ATO) has warned about the emergence of a scam where "...scammers are using an ATO number to send fraudulent SMS messages to taxpayers asking them to click on a link and hand over their personal details in order to obtain a refund."

The refund scam follows a more sinister four phase scam stating there is a warrant out for your arrest for unpaid taxes in prior years. The scam starts with a text message purportedly from the Australian Federal Police (AFP). Within minutes, your mobile rings and the caller identifies themselves as being from the AFP and working with the ATO. They then ask for your accountant's details. You then receive a call purportedly from your 'accounting firm' asking you to verify the AFP/ATO claims. Finally, you are provided with a way, if you act quickly, to make the AFP go away by paying a fee before your 'imminent arrest'.

The ATO states that it will not:

- ❖ Send you an email or SMS asking you to click on a link to provide login, personal or financial information, or to download a file or open an attachment.
- ❖ Use aggressive or rude behaviour, or threaten you with arrest, jail or deportation.
- ❖ Request payment of a debt via iTunes or Google Play cards, pre-paid Visa cards, cryptocurrency or direct credit to a personal bank account, or
- ❖ Request a fee in order to release a refund owed to you.

Medicare Scam

A new phishing scam sent text messages purportedly from Medicare advising the recipient that they are owed a \$200 rebate from Medicare. Once the person clicks on the reclaim link, they are asked to provide their personal details including bank account details for the 'rebate'.



GTP Anniversaries

- ❖ 5th March - Penny Fisher (18 years)
- ❖ 12th March - Natasha Gardner (17 years)
- ❖ 26th May - Hannah McIlree (5 years)



AFCA Overview

The Australian Financial Complaints Authority (AFCA) is now open and here to assist small businesses.

Established in November 2018, AFCA provides fair, independent and effective external dispute resolution for small businesses and consumers.

They are a one-stop-shop for consumers and small businesses with complaints about financial firms, including banks, credit providers, insurance companies, financial and investment advisers and superannuation funds.

This is a free service for small businesses and consumers to access.

AFCA replaces the Financial Ombudsman Service, the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal.

AFCA's capacity to deal with small business complaints is significantly greater than predecessor schemes.

A small business is defined as having fewer than 100 employees (an increase from 20 employees), and it can consider complaints about small business credit facilities up to \$5 million (previously \$2 million).

Importantly, the amount of compensation it can award per claim for such complaints has more than tripled, to \$1 million (\$2 million for primary producers). Different thresholds apply for other financial products and services.

For most matters, a complaint must be lodged with AFCA within six years of the complainant first becoming aware of the problem, or within two years of a response from a financial firm.

However, the Federal Government has recently announced that for a period of 12 months commencing 1 July 2019, AFCA can consider complaints back to 1 January 2008, based on its current scope and thresholds rather than those applying at the time.

It will be issuing guidance prior to 1 July 2019 to explain how small businesses can raise these matters.

Contact AFCA on 1800 931 678 or visit afca.org.au if you have a financial complaint or wish to know more about the processes.



Single Touch Payroll Update

Karen Grainger

Legislation has now been passed by Parliament that will require businesses that employ less than 20 employees to report under the Single Touch Payroll (STP) regime.

With this in mind the Tax Office have indicated they will take a flexible approach to the expansion of STP to smaller employers. This includes being more lenient on mistakes that are made with the first year of reporting with STP.

The ATO also intends to offer a number of alternative options to assist those employers with 1 to 4 employees transitioning to the new system.

The major issue arising to extending this to smaller employers is the increasing compliance burden and increased costs in implementing this new system within their business.

A number of software providers have released or plan to release a low-cost solution for STP reporting which includes MYOB and Xero.

If you are a smaller employer with less than 20 employees you will be required to comply with this legislation from 1 July 2019.

To learn more about STP, the team at Green Taylor Partners will be providing further information in the very near future along with conducting seminars that will assist with your business transitioning to STP.

For how Single Touch Payroll will affect you please contact your trusted advisor at Green Taylor Partners.



Vacant Residential Land Tax – Holiday Homes

Jess Sluggett

Do you own a holiday home in inner or middle Melbourne? If so, you may need to consider 'vacant residential land tax'. This is separate to land tax and applies to a number of council areas in Melbourne. The Victorian Government introduced the tax from 1 January 2018 to help address a lack of housing supply in Victoria.

The tax applies where a property is considered vacant for more than six months in the preceding calendar year.

There are several exemptions available, including for holiday homes that are occupied by the owner for at least four weeks in the preceding year. Homes that are exempt from land tax are also exempt from this additional land tax.

For more information visit the State Revenue Office website <https://www.sro.vic.gov.au/vacant-residential-land-tax>



Succession Planning

Peter Cramer

Some don't like to think about it, but it's inevitable that one day you will leave your business. Whether you decide to sell, retire or transfer to the next generation, it's important that you plan for that process.

Benefits of planning

- Control of your assets
- Protection of your assets
- Minimize tax
- Look after family
- Risk & crisis analysis
- Peace of mind

What is succession planning?

A succession, or exit, plan outlines the process of transfer or sale of the commercial or farming business over time. It specifically focuses on ensuring the availability and sustainability of supply of capable staff that are ready to assume key roles in the event that you leave the business. Succession planning strategies, which focus on developing employee capability, ultimately enable your business to respond to change more effectively. For farmers, it maybe the successful transfer to the next generation, or sale to third parties.

What we have done

We have discovered that, planned well, a business can continue on, long after you have retired. In ensuring the long term success of your business, it is critical to establish a well-designed succession plan. Coordination of the transition of your business to your successors can be an arduous process. However, with our years of experience we can address the complex issues of business continuation, taking the stress off your shoulders, and allowing you to maximise the value.

What does succession planning involve?

- A detailed understanding of you and your business.
- Meeting to discuss issues, wants, concerns and possible solutions.
- Identifying key critical roles within the organisation and develop a clear understanding of the capabilities required for high performance effectiveness in those roles.
- Undertaking a risk assessment by forecasting potential shortages and surpluses of potential candidates for those roles.

- Identifying people who could potentially fill and perform highly in such roles. (NB: internally, those people may already be apparent and waiting for an opportunity to apply for a more challenging role, or the organisation may need to take steps to identify them; they may also need to refer to external sources to determine potential availability of staff
- Developing the required capabilities in those people already within the organisation through a program of learning experiences planned collaboratively by the organisation working with the individual.
- Consideration of the appropriate ownership and control of business assets.
- Asset protection issues.
- Consideration of Family Law.
- Examination of Capital Gain and income tax impact, and exploring access to specific tax concession-e.g. small business CGT concession.
- Working closely with Legal and Financial Planning advisors.

Proposed extension and increase to immediate asset write-off

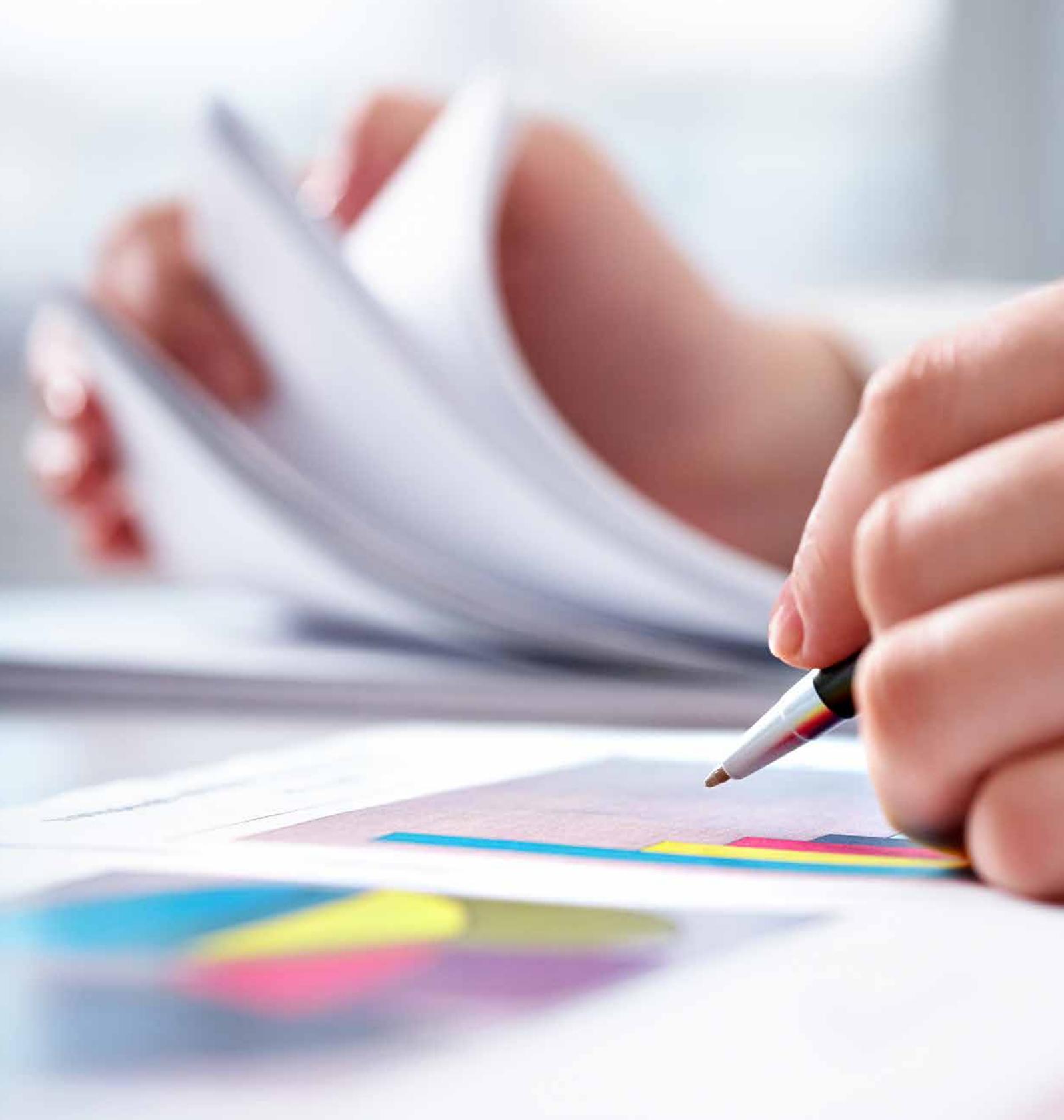
The Government has announced that the threshold for small business entities to claim an immediate deduction for depreciating assets will be increased to \$25,000 (up from \$20,000). The increased threshold is intended to apply from 29 January 2019 until 30 June 2020.

Legislation containing the changes has been introduced to parliament but has not yet been passed by the House of Representatives (Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019). The Bill also contains provisions to increase the threshold for the small business low pool value immediate deduction to \$25,000. While the proposed change only represents a relatively small increase to the existing threshold, it is worth noting that in the absence of this extension the threshold would revert back to \$1,000 from 1 July 2019.



GTP Tid Bits

- Good luck to Shane in the tennis finals for the St Michaels Tennis Club



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