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DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **autumn 2017**

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ATO & DATA MATCHING

The Australian Taxation Office is expanding its data matching program to include debit and credit card data from financial institutions and data from on-line selling websites.

The information collected will be the total debit and credit card payments received by business and information from online sellers who have sold at least \$12,000 worth of goods and services. If there is a discrepancy between the data obtained by the ATO and information reported in an income tax return, the ATO will notify the taxpayer and provide an opportunity for voluntary disclosure prior to an amended assessment.

TAX CHANGES FOR TEMPORARY WORKING HOLIDAY MAKERS

From 1 January 2017 working holiday makers will pay 15% tax on all earnings up to \$37,000 and then marginal tax rates on any excess amounts. Additionally, from 1 July 2017 the Departing Australia Superannuation Payment (DASP) will be increased to 65%. Employers of temporary working holiday makers are required to complete a one-off registration with the ATO in order to withhold at the new rate.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the third quarter of the 2016-17 income year. The GIC annual rate for January-March 2017 is 8.76%, and the SIC rate is 4.76%.



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FRINGE BENEFITS TAX

With 31 March and the end of the Fringe Benefits Tax year just around the corner, now is the time to take advantage of last minute tax planning opportunities. Please find below a summary of the most common types of fringe benefits, and their tax treatment:

MOTOR VEHICLES

This is the most common fringe benefit, and arises where an employer's car is used by an employee for any private purposes, notwithstanding that the vehicle is also used for business purposes. An exemption applies for taxis, utilities of carrying capacity greater than 1 tonne or unregistered cars.

There are two methods for calculating the taxable value of the vehicle fringe benefit;

1. STATUTORY FORMULA METHOD

Calculated on the base value of a car multiplied by a statutory rate. The statutory rate is determined by the kilometres travelled during the FBT year if the car was acquired prior to 10 May 2011. Otherwise it is a 20% flat rate.

2. OPERATING COST METHOD

Calculated by applying the log book percentage against actual running costs of the car for the FBT year. Record keeping for this method is more detailed than the statutory formula method but often results in a much lower FBT amount.

CAR PARKING BENEFIT

FBT liability arises where a car is parked on business premises that is within one km of a commercial car parking station. An exemption applies to small businesses with gross ordinary income of less than \$10 million and the car is not parked in a commercial parking station.

EXEMPT BENEFITS

There are a variety of benefits which are FBT free, if they are primarily used for business purposes including a portable electronic device, protective clothing, a briefcase and tools of trade.

MINOR FRINGE BENEFITS

Minor and infrequent benefits of less than \$300 are exempt from FBT.

IN-HOUSE BENEFITS EXEMPTION

Allows the employer to reduce the taxable value of in-house benefits by up to \$1,000 per employee per year.

MEAL ENTERTAINMENT ON THE EMPLOYER'S PREMISES

Food and drink provided to employees on ordinary working days are FBT exempt.

MEAL ENTERTAINMENT NOT ON THE EMPLOYER'S PREMISES

All meal entertainment provided to staff outside a business premises is subject to FBT.

EXPENSE PAYMENT BENEFIT

This is where an employer pays or reimburses private expenses incurred by employees. eg. school fees; private telephone bills; rates and land taxes; life and health insurance premiums etc. All these payments would be subject to FBT.

PROPERTY BENEFITS

These arise when an employee is provided property (eg. stock) for free or at a discount.

THE 'OTHERWISE DEDUCTIBLE RULE'

In most cases, where the employee would have been allowed a 'once only' tax deduction for the expense if they had paid it themselves, then the taxable value is reduced by its deductible portion.

REDUCTIONS TO TAXABLE VALUES

Once the FBT calculations have been completed, the taxable value of the fringe benefit may be reduced to nil through employee reimbursements or contributions.

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 is 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 AUGUST 2016	FROM 1 FEBRUARY 2017
Vehicle greater than 4.5 tonnes GVM travelling on a public road	Petrol or diesel	13.7 cents	14.2 cents
Specified off-road activities	Petrol or diesel	39.6 cents	40.1 cents
To power auxiliary equipment of a heavy vehicle travelling on public roads	Petrol or diesel	39.6 cents	40.1 cents
Fuel for domestic heating	Kerosene and heating oil	39.6 cents	40.1 cents

FEATURE ARTICLE **PREPARE AHEAD**

New Leases Accounting Standard – AASB 16 Leases

INTRODUCTION

Leasing, as a means of acquiring assets, of obtaining finance and reducing an entity's exposure to the risks of asset ownership, is becoming more important for many entities. As a result, the International Accounting Standards Board and US Financial Accounting Standards Board initiated a project to develop a new approach to lease accounting.

On 13 January 2016, the International Accounting Standards Board (IASB) issued IFRS 16 Leases. Australia has fully adopted this new standard and introduced AASB 16 Leases.

The new accounting standard applies to Tier 1 entities which prepare general purpose financial statements. The effective date of the new standard is for annual reporting periods beginning on or after 1 January 2019. Earlier adoption of this standard is permitted.

For Tier 2 entities, AASB will determine the disclosure requirements through a separate due process. Also be aware that no changes in the requirements for accounting by lessors, which means that the distinction between operating and finance lease assets still remain.

KEY CHANGES

- There is no longer a distinction between finance and operating leases for lessees
- Lessees need to record a right-to-use asset and lease liability on the balance sheet for all leases, including operating leases and finance leases
- Depreciation and interest charges on leases will impact the profit and loss
- Impacts of lease payments on cash flow statement include:
 - payments of principal are recorded in financing activities
 - payment for short-term leases and low value items expensed in profit or loss are disclosed in operating activities

EXCLUDED FROM THE SCOPE OF THE NEW STANDARD

The following types of leases (and subleases) are scoped out of the new AASB 16 requirements:

- Exploration leases for minerals, oil, natural gas and similar non-regenerative resources
- Biological assets (apply AASB 141 Agriculture)
- Service concession arrangements within the scope of Interpretation 12 Service Concession Arrangements

- Licences of intellectual property of a lessor (apply AASB 15 Revenue from Contracts with Customers)
- Rights held by a lessee under a licensing agreement (apply AASB 138 Intangible Assets)

RECOGNITION EXEMPTIONS

A lessee may elect not to apply the new standard for:

- Short-term leases, typically these are leases with a period of 12 months or less
- Leases for which the underlying asset is of low value, such as laptops or phones.

INDUSTRIES IMPACTED

The new standard is expected to have a wide impact across many industries in particular those industries with numerous and/or high value leases. Those industries that use extensive land and buildings and valuable equipment will be strongly impacted. The following industries are particularly likely to be impacted upon:

- Property and construction;
- Government and Not-for-Profit sector;
- Retailers' with multiple outlets;
- Education and training;
- Health and aged care;
- Mining;
- Manufacturing; and
- Real estate.

MOVING FORWARD

Please feel free to contact us for further discussion and be prepared for the change, if you think your business will be affected by the new standard. Our professional team is always willing to provide tailored advice for your business.

Talk to us about your business needs today.

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

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**WE TREAT OUR
CLIENT'S BUSINESS AS IF
IT WERE OUR BUSINESS**

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?

Well, 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's 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**



IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.

UPCOMING KEY DATES & DEADLINES

21 MARCH 2017	February 2017 Monthly Activity Statement due for lodgement and payment
31 MARCH 2017	2016 Income Tax Return due for individuals and trusts whose latest return resulted in a \$20,000 tax liability
31 MARCH 2017	2016 Income Tax Return due for lodgement and payment for companies and super funds with a turnover of greater than \$2million unless required to lodge earlier
21 APRIL 2017	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group
21 APRIL 2017	March 2017 Monthly Activity Statement due for lodgement and payment
28 APRIL 2017	Superannuation Guarantee contributions due for payment for January – March 2017 quarter
28 APRIL 2017	January – April 2017 Business Activity Statement due for paper lodgement and payment
15 MAY 2017	Due date for lodgement of 2016 Income Tax Return for all entities who were not required to lodge earlier. Payment required for companies and super funds
21 MAY 2017	April Monthly Activity Statement due for lodgement and payment
26 MAY 2017	January – March 2017 Business Activity Statement due for electronic lodgement and payment
28 MAY 2017	2017 Fringe Benefits Tax Annual Return – due for payment
5 JUNE 2017	Due date for lodgement of 2016 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 2017	Due date for lodgement and payment of 2016 Income Tax Returns for individuals who have not lodged earlier
21 JUNE 2017	May Monthly Activity Statement due for lodgement and payment
25 JUNE 2017	Due date for lodgement of 2017 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 GRAY PERRY – ADELAIDE

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 Gray Perry.

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