BUSINESS & TAXATION BULLETIN

REPORTS

NEWS

ANALYSIS

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'A boutique practice with a great service ethic' is how we like to describe our team.

DFK Gray Perry joined DFK International in 1991. Our DFK affiliation improves the services we offer to clients and the opportunities available for our staff.

The structure of the affiliation and size of the individual members offers clients a high level of personal partner involvement with the ability to respond quickly and comprehensively to the needs of clients. As a result the DFK affiliation provides a practical and personalised alternative to dealing with large multinational firms both within Australia and New Zealand and also across the world.

Membership in the affiliation has also enabled member firms' staff to participate in international work secondments attaining both professional and personal experiences that have benefited both them and in turn improved the quality of service provision to DFK clients.

The accounting and business advisory services we provide are enriched by our membership of DFK.

DFK ANZ BUSINESS & TAXATION BULLETIN
KEEPING YOU INFORMED

IN THIS ISSUE

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.

TAX UPDATES

JobMaker Hiring Credit

Due to the planned conclusion of the JobKeeper scheme at the end of March 2021, the Federal government has introduced the JobMaker scheme which targets the employment of young people aged between 16 to 35 years who have recently received income support payments such as JobSeeker, Youth Allowance or Parenting Payment.

Through JobMaker, eligible employers may receive payments of up to:

- $200 a week for eligible additional employees aged 16 to 29 years old
- $100 a week for eligible additional employees aged 30 to 35 years old

The scheme commenced on 7 October 2020 and runs until 6 October 2021.

For an employer to be eligible for the scheme, they must operate a business in Australia, have an ABN, be registered for PAYG Withholding and report wages through Single Touch Payroll (STP). A business is unable to claim JobMaker for any fortnights in which JobKeeper has been claimed. The first claim period closes on 30 April 2021 and can include a claim for any eligible employees hired after 7 October 2020. There are three steps to claiming JobMaker:

1. Register for the JobMaker scheme through the ATO portal and provide a baseline headcount and payroll amount
2. Nominate additional employees by running payroll events through STP
3. Claim payments through ATO Business Portal or through tax agent

There are very specific requirements for who is an eligible employee for the JobMaker scheme with certain individuals being ineligible such as close associates or individuals previously engaged other than an employee. An individual can also only complete a JobMaker declaration for one employer if they hold multiple jobs.

Time to review PAYG Instalments

The March 2021 quarter is a good time to review your personal or company PAYG income tax instalments to ensure they reflect the estimated tax position at the end of the income year.

Due to the ever changing economic climate, it may be that your business is paying too much (or too little!) in quarterly tax instalments. The PAYG instalment amount or rate can be varied on your next Activity Statement and the variation will remain for the rest of the financial year, unless another variation is lodged.

It is also important to remember that if any Activity Statements are lodged or varied online, no further paper statements will be issued, as the ATO will direct all correspondence via an electronic means.

Lower Company Tax Rate

The company tax rate for a 'base rate entity (BRE)' will further reduce from 1 July 2021. The tax rate for companies is 30% unless the companies qualifies as a BRE with the following conditions:

- Aggregated turnover of less than $50 million
- Passive income (e.g. interest, dividends, rent and capital gains) cannot exceed more than 80% of the company's total assessable income

The company tax rates for a BRE are as follows:

- 27.5% 2018 to 2020 income years
- 26% for 2021 income year
- 25% for 2022 income year onwards

Single Touch Payroll – Changes are coming

There are two major changes coming to Single Touch Payroll (STP) over the coming months.

Firstly, employers with only closely held employees must start reporting wages and PAYG withholding through STP from 1 July 2021. The STP reports must be completed at least once a quarter by reporting actual wages or a reasonable quarterly estimate based on the prior year. The annual finalisation declaration of wages for closely held employees will be due the same day as the payee's individual income tax return. For all arm's length employees, the finalisation declaration is due on 14 July each year.

Secondly, STP Phase 2 which was announced in the 2020 Budget will commence on 1 January 2022. The key changes as part of Phase 2 are reporting of additional information to the Tax Office such as employment conditions, salary sacrifice, lump sums and child support. There are no current actions required for the implementation of Phase 2, as the Tax Office will liaise with STP providers. There may be some requirements to update the reporting codes and categories of income within your payroll software prior to Phase 2 rollout.

Fringe Benefits Tax – Benefits provided during COVID

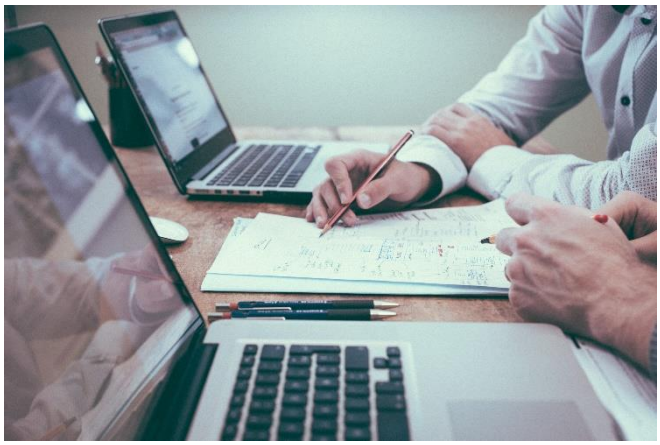
The Fringe Benefits Tax (FBT) year concludes on 31 March 2021 and employers should be reviewing all non-cash benefits provided to employees or their associates during the year.

Due to COVID, the number and type of benefits provided by be significantly different from prior FBT years. Generally, you will not have to pay FBT for:

- Items provided to employees to enable them to work from home, including payment of phone and internet expenses
- Emergency accommodation, food and transport, including flights, quarantine costs and expenses incurred due to travel restrictions
- Emergency healthcare including flu vaccinations and COVID tests

There are other possible adjustments to FBT due to COVID including:

- No work car parking benefit is provided when the office is closed
- No car benefit is provided if during the COVID period the employee returned the vehicle to the business premises and had no access to the car



- New car logbooks may be required due to significant change in the usage of the car due to COVID

Stimulus Vouchers – What's Assessable Income?

There are currently various state based vouchers which subsidise activities such as dining out, entertainment and accommodation. In NSW, these vouchers are accessible through Services NSW 'Dine and Discover' Program.

Each NSW adult is able to apply for two $25 Dine NSW vouchers and two $25 Discover NSW vouchers which can be redeemed at participating dining and entertainment businesses between March 2021 and 30 June 2021.

If your business is participating in the program, the receipt of government assistance is assessable income, as it is part payment for the goods and services provided. Additionally, GST is required to be paid on the total amount of voucher payments received.

There are no tax consequences for the individual redeeming the voucher and obtaining a subsidised purchase.

GIC and SIC Rates

The ATO has published General Interest Charge (GIC) and Shortfall Interest Charge (SIC) rates for the final quarter of the 2020-21 income year.

The GIC annual rate for April – June 2021 is 7.01% and the SIC rate is 3.01%.

TAX PLANNING

Tax planning should be done throughout the year but it is always smart to review it at this time of year before 30 June for all small-to medium businesses. Some areas to consider are:

- Review business performance
- Instant asset write-off and depreciation
- Super Contributions
- Timing of Income and Expenses

Review Business Performance

While businesses should periodically review their business performance, it is essential to have up to date data at this time of year. This will help the business and we estimate the full-year performance as part of tax planning for this year and planning for the business.

Instant Asset Write-Off and Depreciation

In the past 12 months, the government has changed the instant asset write-off and depreciation rules so that they apply now to more businesses. The instant asset write-off thresholds and aggregate turnover thresholds that they apply to are:

Eligible Businesses	Date Range	Threshold
<$5 billion aggregate turnover	6 October 2020 to 30 June 2022 for first-use assets	No limit for business usage amount
<$500 million aggregate turnover	12 March 2020 to 30 June 2021 is first use asset is purchased by 31 December 2020	$150,000
$10 million to <$50 million aggregate turnover	6 October 2020 to 30 June 2022 for second-use assets	No limit for business usage amount

The government is also allowing small businesses (<$10 million aggregate turnover) to write-off the balance of their small business pool in the 2021 year.

The above can result in significant tax savings in the 2021 year.

Super Contributions

It is important to remember that in order to claim a tax deduction for a superannuation contribution, the contribution must be received by the super fund by 30 June. Please check with your super fund to confirm when is the cut-off date.

It is important for business owners and individuals looking to make additional personal concessional contributions that they are aware of the superannuation contribution limits for the 2021 year and the contributions that have been made already for the year.

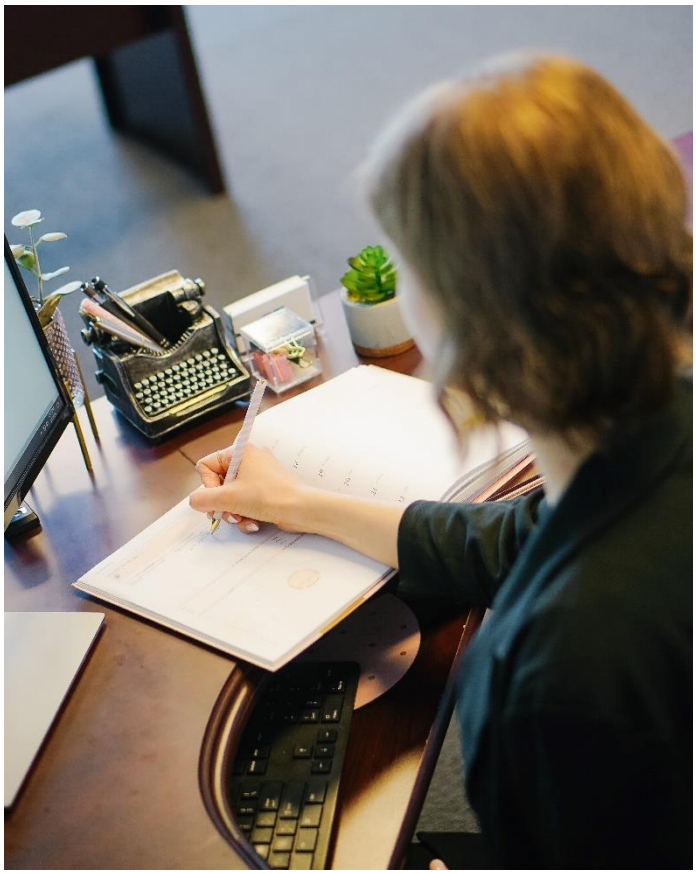
Timing of Income and Expenses

A consideration should be made to determine if any income has been received in advance and bringing forward expenses into the current year.

Depending on the industry, a review of the supply contract might be required to determine if any income received during the year should actually be carried forward and recognised as income in the next financial year. It is also a good time to review your accounts receivable list to determine if there are any customers that will not have the capacity to pay and should be written off as bad before 30 June.

Expenses are only tax deductible when incurred and thus accruals and provisions are not deductible. If applicable to the business, a review of stock of the business should be done to ensure that any obsolete stock is written off.

The above are just a few areas and examples of tax planning opportunities. If you want to discuss the tax planning matters for you and your business please contact your DFK Advisor.



"A consideration should be made to determine if any income has been received in advance and bringing forward expenses into the current year."

ATO WARNING: WATCH OUT FOR TAX AVOIDANCE SCHEMES

Tax planning or tax avoidance – do you know the difference?

Tax planning is a legitimate and legal way of arranging your financial affairs to keep your tax to a minimum, provided you make the arrangements within the intent of the law. Any tax minimisation schemes that are outside the spirit of the law are referred to as tax avoidance, and could attract the ATO's attention.

The Tax Office has outlined some common features of tax avoidance schemes, and we can help you to steer clear of them. While it's not always easy to identify these schemes, the old adage of

"if it seems too good to be true, it probably is"

is a good rule of thumb.

Tax avoidance schemes range from mass-marketed arrangements advertised to the public, to individualised arrangements offered directly to experienced investors. Other schemes exploit the social/environmental conscience of people or their generosity. As different as these schemes are, the common threads involve promises of reducing taxable income, increasing deductions, increasing rebates or entire avoidance of tax and other obligations.

Schemes may include complex transactions or distort the way funds are used in order to avoid tax or other obligations. They may also incorrectly classify revenue as capital, exploit concessional tax rates, or inappropriately move funds through several entities including trusts to avoid or minimise payable tax.

Currently, the ATO has its eyes on retirement planning schemes, private company profit extraction and certain problematic financial products.

" Any tax minimisation schemes that are outside the spirit of the law are referred to as tax avoidance."

DIRECTORS RESPONSIBILITIES

DFK Australia New Zealand

What is a Director?

The director of a company is responsible for managing the business affairs. If your company has a constitution, it will most likely set out the powers, functions and duties

of directors that apply to the company. A private company must have at least one director, who must ordinarily reside in Australia. A public company needs a minimum of three directors, with at least two of the directors residing in Australia.

As director, you should ensure that you are actively involving yourself in meetings, inquiring into ongoing or proposed actions, their effect on the company and seeking both internal and external advice concerning various aspects of the company. You should also endeavour to conduct yourself in a responsible, dutiful and honest manner, which is in the best interest of the company.

What are Director's responsibilities?

The *Corporations Act 2001* details the legal obligations of a director conducting business in Australia.

You must ensure that in your capacity as a director, you do not have material personal interests in the decisions of the company. You should assess the future impacts of decisions made within the company and you stay actively informed about its financial position and performance. If a director acts in any way that is deemed to contravene their duties under the Corporations Act 2001, civil or criminal penalties may be imposed upon them and/or the company itself.

What is an annual review?

The annual review of your company takes place each year on the anniversary of the company's registration.

Once the annual review date has passed, the Australian Securities and Investments Commission (ASIC) will issue an annual company statement and invoice. The annual company statement will contain all company details. The purpose of the annual review is to ensure details of a company are current and that the company pays its annual fee to ASIC, as well as ensuring the company makes a solvency resolution that they are in a position to pay their debts when they fall due.

As a director, it is important to note that a solvency resolution must be passed within two months of your annual review date.

ASIC form 484

A Form 484 is lodged with ASIC when a company's details require updating. These changes can include addresses, the appointment or cessation of company officeholders, a change to the share structure, the transferring of shares and also changes to the ultimate holding company.

When changes to company details occur, the company has a maximum of 28 days from the date of change to notify ASIC. Failure to comply with this timeframe will result in monetary penalties consisting of different amounts, depending on when the change is lodged.

Registered agents

A registered agent has the ability to make lodgements to ASIC on behalf of companies. A Form 362 must be lodged with ASIC to notify them that the company has appointed a registered agent. We can act as a registered agent and therefore an intermediary between your company and ASIC.

LOCAL KNOWLEDGE
NATIONAL CONNECTIONS
GLOBAL REACH

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LEADING ACCOUNTANTS AND BUSINESS ADVISORS

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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