BUSINESS & TAXATION BULLETIN

SPRING 2022

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.

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

IN THIS ISSUE

Tax Updates

SINGLE TOUCH PAYROLL PHASE 2

Phase 2 of Single Touch Payroll (STP) commenced on 1 January 2022, however, most digital service providers (DSP) such as Xero and MYOB have obtained a deferral notice from the ATO, which automatically covers all users of the software. Please read the updates and newsletters provided by the respective DSPs on when STP Phase 2 will be enabled in their software and when transition can commence. STP Phase 2 reporting requires greater detail of payroll information to the ATO, including allowances, salary sacrifice amounts and income types. Other information, such as identifying closely held employees, is also important to ensure correct reporting and compliance with reported wage amounts.

SUPERANNUATION GUARANTEE IS CHANGING

From 1 July 2022, there are two major changes for employers in respect of the Superannuation Guarantee (SG) paid for employees.

Firstly, the superannuation rate will increase from 10% to 10.5% from 1 July 2022. Secondly, the $450 wages threshold to receive SG amounts will be removed. All other eligibility conditions for SG remain the same, including the exemption from SG requirement for employees under 18 years old who work less than 30 hours per week. Cents per km rate for motor vehicle use The cents per kilometre rate for work-related use of motor vehicles for the year commencing 1 July 2022 has been determined by the ATO to be 78 cents, which is an increase from 72 cents from the previous two income years.

It is important to note that an individual is limited to claiming 5,000 km under the cents per km method. If the work-related kilometres travelled are likely to exceed 5,000, then a 12-week logbook and a record of all expenses incurred are required.

FUEL TAX CREDITS - SIGNIFICANT CHANGES

The calculation of fuel tax credits changed significantly from 30 March 2022 due to the halving of the fuel tax excise for 6 months to 28 September 2022. During these six months, heavy vehicle users on public roads will not be entitled to any tax credit as the road user charge exceeds the excise paid.

The ATO has a fuel tax credit calculator on their website to ensure the correct fuel tax credits are claimed in your BAS.

TIME TO GET YOUR DIRECTOR ID

A reminder that all existing directors of an Australian company are required to obtain a Director ID by 30 November 2022. If you intend to become a director, you must apply for a Director ID prior to appointment.

The process is quick and easy for Australian residents but is a little more time-consuming for overseas residents. If you require assistance in your application for a Director ID, ask your DFK ANZ contact for our guides.

STRUGGLING TO PAY YOUR TAX DEBT?

If you are experiencing cashflow issues and are unable to pay a tax debt, we can organise a payment arrangement with the ATO. The payment plan will require the following features to be acceptable to the ATO:

- An upfront payment at the start of the plan to show commitment to payment
- Scheduled payments on a weekly, fortnightly or monthly basis
- Payments will be a fixed amount each period
- Payments are made via a direct debit facility set up with the ATO
- On-time lodgement and payment of any subsequent tax obligations for the duration of the payment plan, otherwise, the full amount owing will become immediately due.
- For eligible small businesses with overdue activity statement amounts, the payment plan may be interest-free if the debt is settled within 12 months.

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PROFESSIONAL FIRMS PROFIT ALLOCATION ARRANGEMENTS

In December 2017, the ATO suspended its guidance on the taxation of professional profits for individual professional practitioners (IPP). This covers individual professionals such as doctors, lawyers, accountants and architects who earn income through their personal exertion but the profits of these efforts may have been taxed in an associated individual or entity.

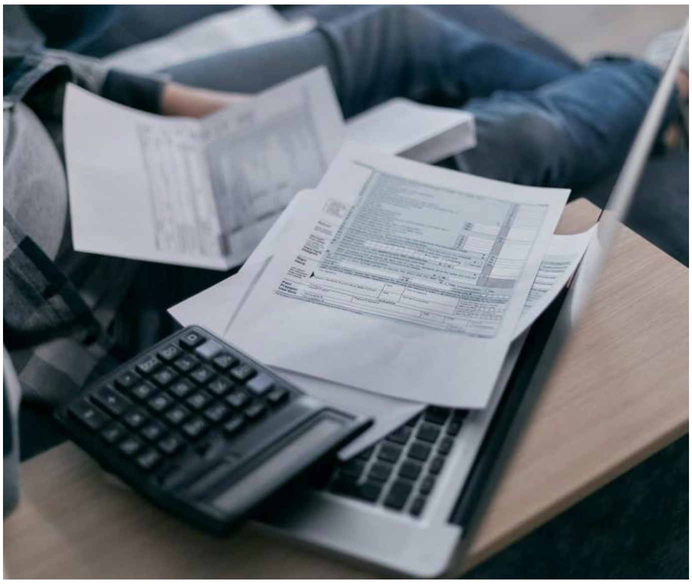
The updated ATO Practical Compliance Guidance PCG 2021/4 was issued late in 2021 and detailed a more rigid application of the law. Under PCG 2021/4, an IPP is required to pass the conditions of commercial rationale and have no 'high risk' features of the tax arrangements.
The application of new ATO guidance will apply from 1 July 2022. However, if an IPP tax arrangement satisfies the previously suspended guidelines, individuals have until 1 July 2024 to satisfy the new guidelines.

This ATO practical compliance guidance will require all professional individuals who receive some of their income through company or trust arrangements or profit share with other related individuals, to undertake a detailed review of such arrangements to determine if alternative tax strategies should be adopted.

GIC AND SIC RATES

The ATO has published General Interest Charge (GIC) and Shortfall Interest Charge (SIC) rates for the first quarter of the 2022-23 income year.

The GIC annual rate for July – September 2022 is 8.00%, and the SIC rate is 4.00%.



Upcoming Key Dates and Deadlines

14 July 2022	Single Touch Payroll finalisation declaration due
21 July 2022	June 2022 Monthly Activity Statement due for lodgement and payment
21 July 2022	June 2022 Quarterly PAYG Instalment Activity statement due for lodgement and payment for head companies of a consolidated group
28 July 2022	NSW Payroll Tax Annual Reconciliation due for lodgement and payment
28 July 2022	Superannuation Guarantee Contributions due for payment for April – June 2022 quarter
31 July 2022	TFN Report for closely held trust for TFNs quoted by beneficiaries of the trust
14 Aug 2022	PAYG Withholding Payment Summary Annual Report due for lodgement
21 Aug 2022	July 2022 Monthly Activity Statement due for lodgement and payment
25 Aug 2022	Apr – June 2022 Business Activity Statement due for electronic lodgement and payment
28 Aug 2022	Taxable Payments Report fur for lodgement with ATO for Building and Construction Industry, Cleaning Services, Couriers, Road Freight, IT and Security services
21 Sept 2022	August 2022 Monthly Activity Statement due for lodgement and payment
21 Oct 2022	September 2022 Monthly Activity Statement due for lodgement and payment
21 Oct 2022	Annual PAYG Instalment Notice due for lodgement and payment
28 Oct 2022	Final date for election to use GST instalments for 2023 year
28 Oct 2022	Final date for election to pay PAYG instalments annually for eligible taxpayers
28 Oct 2022	Superannuation Guarantee Contributions due for payment for July – Sept 2022 quarter
31 Oct 2022	Lodgement and payment for 2022 income tax return for all entities with any prior year returns not lodged

Wash Sales: Don’t get hung out to dry

The ATO warned taxpayers not to engage in ‘asset wash sales’, a form of tax avoidance designed to artificially increase taxpayer losses and reduce gains or expected gains. Most commonly, wash sales involve the disposal of assets such as crypto and shares just before the end of the financial year, where then after a short period of time, the taxpayer re purchases the same or substantially similar assets in an effort to offset against a gain already derived, or expected to be derived, in certain circumstances, in a tax return.

The ATO explains, “a wash sale is different from normal buying and selling of assets because it is undertaken for the artificial purpose of generating a tax benefit for the current financial year. The taxpayer disposes of and reacquires the asset for the deliberate purpose of realising a capital gains loss and obtaining an unfair tax benefit.”

The ATO’s sophisticated data analytics can identify wash sales through access to data from share registries and crypto asset exchanges.

When the ATO identifies this behaviour, the capital loss is rejected, resulting in an even bigger loss to the taxpayer.

Assistant Commissioner Tim Loh urges taxpayers not to engage in this behaviour. “Don’t hang yourself out to dry by engaging in a wash sale. We want you to count your losses, not have them removed by the ATO.”

The ATO is warning taxpayers who may be engaging in wash sales are at risk of facing swift compliance action, and additional tax, interest and penalties may apply. Taxpayers are urged to ignore any advice encouraging a wash sale of any asset.

The clear advice from the ATO is to check the ATO website or check with an independent registered tax professional and not to rely on advice you may receive through media, social media, or advertisements.

If something seems too good to be true, it probably is.

Why you should have a business continuity plan

Keeping your business operational is a full-time job. It's a balancing act that requires you to keep a multitude of plates spinning while your executive team and employees support you at every stage of the operational journey. But what happens if these plates stop spinning?

Sudden unexpected threats can catch you on the hop. What if an unexpected circumstance comes up that derails your usual operational procedures? How will you cope? What will you do to overcome the issue? And how will you get the business back on target?

The answer lies in having a thorough business continuity plan.

WHAT'S A BUSINESS CONTINUITY PLAN?

A business continuity plan is an executive plan that describes the risks that exist in the business, your strategy for dealing with these known and unknown risks, and how you will mobilise your team to overcome any issues, emergencies or gaps in trading etc.

None of us truly knows what lies around the corner. Most businesses were not expecting the 2008 economic crash or the 2020 Covid-19 pandemic. If you can plan ahead and put contingency plans in place, you'll be better prepared when a worst-case scenario does appear.

How do you formulate your plan?

Every organisation's business continuity plan will be different. We all have different business models, different company hierarchies and different risks that are peculiar to our own sectors. But the fundamental basis on which you create your business continuity plan will be the same however your company works.

For example:

Identify the critical areas of your business – look at your operational business model and think about where it's most likely to break down under pressure. Are you reliant on a specific supplier to operate? Which are the fundamental departments in your model and what do they bring to the business? Who are your core heads of department and staff, and who could deputise for them in their absence? In short, look for anything that could break down and how this could affect the whole business.

Create backup continuity plans for each critical area – you obviously need your main continuity plan to cover the entire business. But it's also important to look at the risks, essential personnel and key operational activities for each separate department in the company. Your finance team will need a very different continuity plan to your logistics and delivery team, for example. So, tailor each continuity plan to fit the needs of your main business areas and make sure they're all fit for purpose.

Assign a continuity lead and department leads – it's a good idea to assign a main business continuity lead role or champion, so the responsibility for reviewing and updating the plan sits under someone's remit. You'll also need to have a lead person for each critical department, so every cog in the wider machine is represented.

Make sure everyone knows the continuity plan – a business continuity plan is useless unless the whole company is aware of the plan and knows what to do. Have a central phone number, WhatsApp group and email address set up for any business continuity emergency. And use your internal communications team to provide regular messaging, training and updates on changes to the ongoing continuity plan.

Keep the business operating – ultimately, your continuity plan exists to keep the company operating in challenging times. It could be that your HQ is flooded out and has to be closed down and moved to an alternative location. It may be that significant employee sickness hits you, leaving only a skeleton staff to run each department. Whatever the circumstances, your plan needs a contingency in place, so you and your remaining staff can continue to trade, make sales and bring in revenues.

Talk to us about building a business continuity plan

No plan can completely remove the threat of the unknown - that's an impossibility. But with a continuity plan that's well conceived and ready to implement, you reduce the potential risks and give you and your team a practical strategy and tactics to work with.

Need to get a plan in place?

We'll help you analyse your business model, look for the critical areas and assess the potential risks. We'll also help you put together a watertight business continuity plan that's ready to implement if (and when) specific threats hit the business.

Is your business attracting the right talent?

When people talk about 'brand', they often think solely from a customer perspective. However, a strong 'employer brand' is also critical in order to attract the right talent to your business. With a shift in skill-set requirements across most industries, it's more important than ever to attract the right potential employees.

So how do you go about attracting great talent to your business?

Give prospects the full picture

When you have a role to fill, make sure you:

- Describe the great working environment in your job description and publish this on your website and on social media
- Add a careers page with details on the company culture as well as the job
- Provide some insight into company life or why people would want to work for you.

Establish your Employer Value Proposition

This is your unique set of offerings, associations, and values that positively influence target candidates and employees. This gives prospective employees a sense of what you stand for. Without a set of values, it's harder to attract the right potential employees and even harder to hire someone who is the right fit for your company.

A strong employer brand therefore not only increases consideration, it is also a smart business investment. When your culture and values resonate with current employees, it can significantly lower your staff turnover rate. Companies with a stronger employer brand have a 28 percent lower turnover rate than companies with a weaker employer brand.

Attracting the right candidates

Build personas of the types of talent you'd like to hire. And from here you can build your profile of your ideal candidate. These can include:

- Education
- Work experience
- Personal activities
- Aspirations and goals
- Values
- Personal life and family situation.

Once you have that profile, build your questions to ask in order to ascertain whether potential employees fit your ideal profile. You can tailor the advert and medium to speak to that profile.

Succession Planning

What positions will you need to hire in six to twelve months and what skills are required so you can build an internal talent pipeline?

Work ahead of that point and build a relationship with your ideal candidate. Additionally, with a lot of ideal candidates already happy in their current roles, you will require the time to build that relationship.

Investing to strengthen your employer's brand, including culture, environment, values and strategic vision will help increase consideration of your company, lower recruiting costs, and decrease voluntary turnover.

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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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