

Q2 2019

## FBT and how it attracts the ATO

*Fringe Benefits Tax (FBT) is required to be paid by employers who provide non-cash benefits to their staff. Accurate reporting of FBT is something that is consistently on the ATO's compliance program.*

FBT is calculated on the taxable value of the benefits that have been provided to employees. Types of benefits employers must pay FBT on include vehicles for private use, discounted loans with a low or no rate of interest, paying an employee's membership to a gym and entertainment perks such as free tickets to concerts and providing food and drink, accommodation or travel in connection with the entertainment.

The ATO is focusing on occasions where taxpayers avoid or delay payment of tax by non-lodgment of their FBT return. They are specifically looking into areas of FBT that include:

- Failing to report motor vehicle benefits, incorrectly applying exemptions for vehicles or incorrectly claiming reductions for these benefits.
- Discrepancies between an amount reported as an employee contribution on FBT returns compared to the income amounts on an employer's tax return.

- Claiming entertainment expenses as a deduction but not correctly reporting them as a benefit or incorrectly classifying entertainment expenses as sponsorship or advertising.
- Incorrectly calculating car parking benefits by significantly discounting market valuations, using non-commercial parking rates or not supporting with adequate evidence.
- Not reporting on business assets provided for personal enjoyment of employees or their associates.
- Not lodging FBT returns or lodging them late, in an effort to delay or avoid payment of tax.

There are also a number of employee benefits that are exempt from FBT and cannot be included on FBT returns to the ATO. These can be because the benefits are primarily used by workers during employment or they are significantly similar to another item already being claimed. These exemptions can include work-related items such as portable electronic devices (mobile phones, laptops, etc.), computer software, protective clothing, briefcases and trade tools.

Businesses will need to assess their own tax liability within each FBT year, from 1 April to 31 March. Returns must be lodged before the due date on 21 May.



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## Analyse your business with the debtors days method

*Ratio analysis is a method of gaining insight into a company's liquidity, efficiency and profitability by comparing the information contained in its financial statements.*

Debtor days is one key measure of ratio analysis. It shows the average number of days that a business takes to collect invoices from their customers. The longer it takes to collect, the greater the number of debtor days.

The formula for working out debtor days is:  $(\text{Trade receivables} \div \text{Annual credit sales}) \times 365 \text{ days}$

When debtor days increase beyond normal trading terms, it indicates that the business is not collecting debts from customers as efficiently as it should be. If you aren't getting paid, you won't be able to upkeep your resources to continue servicing clients.

There are a number of small strategies you can implement to reduce your debtor days. These include:

- Starting the collection process as soon as the debt falls due, don't wait until after the terms are exceeded to collect from customers.
- Creating easy ways of payment, such as PayPal or other online methods.
- Considering online software that provides options for automated follow-ups on due debts.
- Offering small discounts on current or future purchases as an incentive for clients to pay on time.



## Taking advantage of cashless business

*Advancements in technology continue to digitise our world in many ways, including financially. In recent years, more businesses and events are turning to cashless systems.*

Whilst cash still remains popular in businesses dealing in small purchases such as cafes, if you run a business that handles larger transactions then changing to a cashless system could benefit you in many ways.

Managing your money through electronic payments helps you to keep track of income and expenditure. If you use a digital system, you have extensive logs of information such as where the money came from or is going to, how much you have currently and what you are expected to receive or pay. To ensure the best security and effectiveness with electronic payments, consider investing in technology that transfers money instantly whilst also tracking payments.

Running a cashless business also protects you from theft. Holding large amounts of cash can make you a target, and the time and expenses dedicated to ensuring your cash is secure could be better used on more effective financial management systems. Whilst online methods come with their own risks, there are systems you can

implement to protect you such as two-factor authentication, third-party data protection and cyber liability insurance packages.

Cashless business models are also time-saving. By cutting out cash handling, you can save time with your client interactions as well as cutting out the end of day counts and lengthy trips to the bank to make deposits and changes. Whilst cashless systems are not right for everyone if this is a viable option for your business you should consider consulting your accountant. If you decide to make the switch, give clients a grace period to be introduced to the new system and explain how it could benefit them.



## ATO increases fuel tax credit rates

*The ATO has increased fuel tax credit rates from 4 February 2019. As fuel tax credit rates are updated regularly, it is important to check the rates each time you lodge a business activity statement (BAS).*

Fuel tax credits provide businesses with a credit for the price of fuel used in machinery, plants, equipment, heavy vehicles, or light vehicles travelling on private roads. The amount of credit will depend on when the fuel is acquired, what fuel is used and the activity it is used for.

The changes in fuel tax rates are indexed twice a year, in February and August in line with the consumer price index (CPI). The current rates apply from 1 July 2018 to 30 June 2019.

Fuel tax credits can be claimed on your BAS in the same way as GST credits. To correctly work out the credits you are eligible to claim, you must keep complete and accurate records. Your records must:

- Show the amount of fuel acquired and used in your business and calculations.
- Be in writing, either electronically or on paper.
- Be in English or able to be easily translated.
- Have been kept for a minimum period of five years.

Businesses that claim less than \$10,000 in fuel tax credits each year can use a simplified method to make claims to the ATO. For further information on claiming fuel tax credits and specific rates, you should consult your registered tax agent.

## Single Touch Payroll to include more businesses

*Single Touch Payroll (STP) is changing the way employers report their workers' tax and super information to the ATO.*

Employers are expected to report information on a variety of areas through software that offers STP reporting or third-party service providers. Withholding amounts, superannuation liability information, ordinary times earnings, salaries, wages, allowances and deductions should all be included in reports.

Parliament has passed legislation to extend STP to now include businesses of any size. There are separate guidelines and due dates in place for different sized businesses.

### **Businesses with 20 or more employees:**

As STP for businesses with 20 or more employees started on 1 July 2018, relevant businesses should already be reporting through STP or have applied for a deferral. If you are unsure if your current software has

STP reporting, the ATO recommends talking to your software provider or tax professional.

### **Businesses with 5-19 employees:**

Reporting can start anytime from 1 July to 30 September 2019. If you already use payroll software which offers STP, you can update your product and start reporting early. Online forms will be available from April 2019 for those who need to defer reporting or meet exemption criteria.

### **Businesses with 1-4 employees:**

Micro employers with four or less employees who don't currently use payroll software can report STP information in other ways. The ATO has listed software developers who offer no-cost and low-cost STP solutions to make the transition smoother. There is also an option for your registered tax or BAS agent to report your STP information quarterly rather than each time you run payroll. This will be available until 30 June 2021.

To help with ease of transition for everyone involved, the ATO offers no penalties for mistakes, missed or late reports for the first year. Exemptions from STP reporting can also be provided for employers experiencing hardship, or in areas with intermittent or no internet connection.



## How remote workers can improve your business

*Making the choice to employ remote workers can enable your small business to grow successfully by allowing flexibility and enhancing productivity.*

Remote work is becoming an increasingly popular choice for businesses thanks to the ease and accessibility of the internet. The traditional 9 to 5 workday is being replaced by flexible hours that can be completed anywhere and at any time.

Employing remote workers isn't the best choice for every workplace, such as those that require hands-on labour. However, if the benefits of flexible work will apply to your business, it could give you a competitive advantage.

### **Increased productivity:**

Research has shown that remote workers can actually be more productive than those who work in an office. Employees that work from home don't have the distractions that occur in daily office life. They also have the ability to work longer hours at times that suit them, without being regimented to the typical 9 to 5 workday. This can lead to workers being more engaged with the work and can also increase happiness.

This style of work is not necessarily suited to everybody, with some people experiencing isolation and loneliness when in a remote work environment. As an employer, you should make sure working remotely is a good fit for each employee's personality.

### **Reduce business costs:**

Hiring remote workers can enable you to save money on office expenditure, such as real estate and utilities. Consider maybe moving more of your business into cloud software to allow remote employees to access office files from home or wherever they may be working. This has positive implications from an environmental standpoint, while also cutting utility costs such as paper, recycling and waste. While these may seem like minor costs, they do add up and the savings resulted from removing these costs will be noticeable to your business.

### **Safety obligations:**

Even though staff may work from home, there are a number of workplace obligations that employers must be aware of. The employer has responsibility for health and safety issues and worker's compensation, and should complete a Work Health and

Safety (WHS) checklist to assess risks in the home. A WHS checklist helps to ensure things such as safe work practices and that the work environment is secure. Both parties should sign the agreement in the event of a compensation claim.

While there are a number of considerable advantages to employing remote workers, it would be beneficial to receive professional advice regarding issues such as payroll and your workplace safety obligations as an employer.

## We are here to help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.



We are always pleased to discuss matters with you and advise in any way we can.

## ATO takes strong stance on superannuation compliance

*The ATO will be enforcing stricter penalties for employers who fail to meet their superannuation guarantee (SG) obligations.*

Penalties have been introduced to hold employers who are unable or unwilling to meet their SG obligations accountable. This includes non-payment, under-payment, or late payment of super contributions to an eligible employee's complying super fund. The ATO provides tools that enable employers to understand and meet their SG obligations.

### **Paying super contributions:**

Employers are required to pay 9.5% of an employee's ordinary time earnings to superannuation. These contributions must be paid to a complying fund by the quarterly

due dates, which are 28 days after the end of each quarter.

### **Penalties:**

Employers who do not meet their SG obligations may be liable for a range of penalties or charges. If the correct amount of contributions to a worker's super fund has not been made by the due date, employers will be required by law to lodge a superannuation guarantee charge (SGC) statement. In addition to the SGC, other penalties that may be imposed include:

- A Part 7 penalty which is applied if an employer lodges their SGC late, or fails to provide a statement or information when requested.
- A general interest charge (GIC) that is applied when an SGC is not paid by

the due date. The GIC is calculated on a daily compounding basis and is tax-deductible in the year it is incurred.

- An administrative penalty if an employer makes false or misleading statements in order to pay less SGC than they should.
- A choice liability, imposed when an employer does not give an eligible employee a choice of super fund.

In some cases, legal action may be taken by the ATO to recover outstanding tax and superannuation debts. SG audits may also be undertaken in the ATO's tough approach on compliance. For more information and to ensure that you are meeting all SG obligations as an employer, you should consult your financial advisor.

## Positive business culture

*Creating an inclusive workplace environment for all employees can increase productivity, provide positive wellbeing and deliver retention benefits.*

An inclusive workplace is one that sees a diverse range of people encouraged to provide their own individual skills, knowledge and background to the business. When people have a sense of community, they generally feel happier in their surroundings. Having a positive and open attitude toward your business culture can help employees to really enjoy being connected to your business.

### **Appropriate training and orientation:**

Employees, contractors and customers should understand from their first encounter that the business is a safe and inclusive environment. This means appropriate training and orientation must be given to ensure specific values and practices are upheld. It is much easier to employ individuals who agree with and respect inclusive workplaces than to try and change the workplace culture later on.

### **Team building:**

Team building is a great tool for breaking down barriers between employees, allowing individuals to bond and connect outside of the work environment. There is

a vast array of activities that constitute as team building. For example:

- Office luncheons
- Open workplaces
- Group work and problem-solving tasks
- Staff retreats
- Icebreaker games

### **Business ethos and values:**

Creating an inclusive workplace has to be embedded into your brand as a whole. As a boss, this open approach and attitude will need to start with you. Employees are more likely to thrive if they feel that their leaders have the same values and views that are expected of them.



## Important tax dates

### **15 MAY**

Lodge 2018 tax returns for all entities that did not have to lodge earlier and are not eligible for the 5 June 2019 concession.

### **21 MAY**

Lodge and pay April 2019 monthly business activity statement.

### **26 MAY**

Lodge and pay eligible quarter 3, 2018-19 activity statements if you lodge electronically.

### **28 MAY**

Pay *Fringe benefits annual tax return* if lodging electronically