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Financial Times

A newsletter for clients of HLB Mann Judd firms
Issue #132 Winter 2018

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The GST sting in the property tail

With the much-publicised increases in property values in recent times, many property investors are looking at maximising their return by subdividing their investment properties.

Along with the practical issues that go along with the actual subdivision, investors also need to consider the GST implications*.

Existing residential premises are considered to be input taxed for GST purposes. This means there is no GST charged on either the rent received, or the sale price of the property, and no ability to claim any GST paid on expenses relating to the property. However, this treatment does not apply to vacant land, or to newly constructed residential premises.

Enterprise or business

Whether a property investor is required to include GST in the sale price when they sell vacant land or a newly constructed residential property, will depend on whether the activities related to the subdivision are considered an 'enterprise' or a 'business' for GST purposes.

Where an investor has owned a property for a number of years, and merely takes the minimum steps required to subdivide the property, then sell it, their activities will most likely be seen as the mere realisation of a capital asset, and not an enterprise.

At the opposite extreme, where an investor not only subdivides the existing property, but constructs a new house on the land, which they then sell, the activity will most likely be seen as an enterprise.

In between these two ends of the spectrum, there is a range of different levels of activity which need to be considered on a case-by-case basis. To determine if these activities constitute an enterprise it is necessary to consider the level of activity.

This includes whether the owner has been involved in previous property development activities, their intention at the time that they decided to subdivide the property, and their intentions at the time that they first acquired the property.

GST requirement

Where the subdivision does not amount to an enterprise, there will be no requirement to include GST in the sale price, and no ability to claim any GST paid on expenses relating to the subdivision.

Where the subdivision is considered to be an enterprise, it will be necessary to include GST in the sale price. However, as the purchasers of residential land are generally not able to claim the GST on their purchase costs, the vendor will not be able to increase the sale price by the amount of the GST. Rather, the GST will be included in the gross sale proceeds.

Without any concessions, the GST which the vendor is required to remit to the ATO will be 1/11th of the gross sale proceeds. However, the amount of GST can be reduced by applying the margin scheme.

Where an election to apply the margin scheme is made, the GST to be remitted on the sale of the property will be calculated as 1/11th of the

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In this Issue

Five reasons why your business should use social media

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Social media has revolutionised the way people communicate. It offers real benefits for those businesses that adopt it.

What was once considered an unconventional marketing tool has now evolved and become a core component of a business' marketing plan. According to a recent Sensis* report, 79 percent of Australians now use social media. Of those users, 64 percent of them said that social media had influenced their trust in a brand.

There are many reasons why businesses should actively engage in social media. Here are our top five reasons for those clients who are yet to take the plunge.

It's more targeted

Knowing your target market has always been key for business growth. What makes social media unique, is that it provides further insight into your potential or existing customers.

Online campaigns enable businesses to target niche markets based on their customers' personal information (be it age, gender, relationship status and interests). Understanding your target audience and their motivations can help you refine your marketing strategy.

It may also uncover new opportunities based on the analysis of your customers' online interactions and behaviours.

Improves conversion rates

Social media has given businesses new channels to communicate with customers.

Every time you engage with a customer online, it is an opportunity to progress them through the next stage of the buyer's journey. This can be achieved by sharing valuable and relevant content, while responding to reviews or answering questions online, helps build rapport.

Provides valuable insights

It's in the data! Social media reporting and monitoring tools have the ablity to gather incredible amounts of customer data that users willingly provide.

This data can help define your communication strategy.With access to such valuable insights, you can develop an online voice and personality that resonates with your customers. Authenticity inspires

trust. Using the right tone with your customers can speak volumes.

Increases website traffic

Any business that embarks on social media should already have a website. This is because every social media profile you add to your marketing mix becomes a gateway to your website. Any content or thought leadership posted online should always drive customers back to your website.

The more relevant website traffic you can generate from your social media profiles; the better your chances of converting visitors into paying customers.

It's cheap!

Having a presence across several different social networks can be considerably less expensive than traditional types of marketing. Creating a profile is free for most social media platforms. Paid advertising can start at as little as $20 a day.

Gone are the days of blanket advertising. Not only can you define your target market but you also have the power to control when your advertising will appear. Sensis* reported 59 percent of Australians check their social media profiles at least once a day. The more refined your campaign the better the ROI on your advertising investment.

**Sensis Social Media Report. Released 22 June 2017.*

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difference between the gross sale proceeds and the original cost of the property. (Note, if the property was acquired prior to 1 July 2000, the GST will be calculated based on the property's market value as at 1 July 2000 rather than the original cost.)

If a property is purchased from a vendor who is using the margin scheme to calculate their GST, the purchaser is not entitled to claim any GST on the purchase. Any GST paid on the costs related to the subdivision and development of the property can be claimed as a credit as they are incurred.

New rules which will apply from 1 July 2018 will require the purchaser to withhold 1/11th of the gross sale proceeds, and remit this to the ATO as GST on the sale of new residential premises. Where the margin scheme has been applied to the sale, the vendor will need to lodge their BAS in order to report the actual GST, and claim a refund of the difference.

This article focusses on the subdivision of a rental property, however the principles will also apply where an individual subdivides the land where their home was located.

** There are also income tax considerations, and these will be covered in a later article.*

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With 30 June fast approaching, it is important to ensure that all the tax strategies for year-end planning have been considered.

End of financial year strategies

Below is a summary of important points to remember.

Individuals

- The tax-free threshold for residents is $18,200. Non-residents do not have access to this concession.
- The Medicare levy is 2 percent of taxable income.
- The concessional superannuation contribution cap is $25,000 per year for all individuals.
- The non-concessional superannuation contribution cap is $100,000 per year.
- The 10 percent maximum earnings condition has been removed meaning most individuals under 75 years can claim a deduction for personal superannuation contributions.
- Investors in early stage investment companies are entitled to a 20 percent tax offset, and exemption from capital gains tax if shares are held for more than 12 months and disposed of within 10 years.
- Travel deductions for rental property inspections are no longer available, and depreciation on plant and equipment is not available for second hand residential properties acquired on or after 7.30pm 9 May 2017.

Businesses

- Small businesses with an aggregated turnover of less than $10 million will have access to a number of income tax concessions, including: immediate deduction for prepaid expenses, simplified trading stock rules and simplified depreciation rules including the $20,000 instant asset write off.
- Be sure to consider the timing of income and expenses and wherever possible defer income to July 2018 and bring forward expenses to June 2018.
- Businesses should review their aging debtors list and identify any unrecoverable debts which can be written off as bad debts prior to 30 June 2018.
- Also review inventory levels and identify any obsolete stock or stock that is significantly over valued. Remaining trading stock can be valued for tax purposes at cost, market value or replacement value.
- A deduction for bonuses is only allowed if they are incurred prior to 30 June.
- For Superannuation Guarantee (SG) payments to be deductible, simply making the payment by June 30 is not sufficient. These amounts must be received by the superannuation fund by 30 June.
- Small businesses with an aggregated turnover of less than $10 million can restructure their business without incurring any CGT liability.

Corporate entities

- From 1 July 2017, the corporate tax rate for those with aggregated business turnover under $25 million, will be 27.5 percent, while for all other corporate entities it will be 30 percent of aggregated turnover. The Government is proposing to exclude companies that have passive income of 80 percent or more, but you need to check with your adviser as imputation credits can impact this.
- Expenditure on business activities may be eligible for the R&D tax incentive. If the company's aggregated turnover is less than $20 million, there is a refundable tax offset of 43.5 percent of eligible expenditure (or a non-refundable offset of 38.5 percent where aggregated turnover exceeds $20 million).
- Any payments, loans or forgiven debts made by the private company to its shareholders or associates (known as Division 7A Loans) must be either repaid in full or put under a complying loan agreement prior to the lodgement of the company's income tax return. Failure to do so may result in a deemed unfranked dividend to the shareholders or associate.

Trusts

- Subject to the Trust Deed, most trustees will need to ensure their resolutions for distributions of income and/or capital are made on or before 30 June 2018.
- Individual beneficiaries who receive trust income will be eligible to an 8 percent discount (capped at $1,000 per individual) on the business income they receive provided the Trust has an aggregated turnover of less than $5 million.

HLB Mann Judd Client Choice Award

HLB Mann Judd has won three awards in the 2018 *Australian Financial Review* Client Choice Awards, being named 'Best Professional Services Firm (revenue $50 – $200 million)' and 'Best Accounting Firm (revenue $50 – $500 million).'

In addition, Perth partner Litsa Christodulou was presented with the 'Practitioner Award – Most Client-Focused Accountant.'

It is the fifth time that HLB Mann Judd has won the 'Best Accounting Firm' award and the first time one of its partners has won a Practitioner Award.

Another first for HLB Mann Judd was for Best Professional Services Firm, which is awarded against engineering, law and accounting firms in the revenue category.

Superannuation round up

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With the end of the financial year almost upon us and the anniversary of the 1 July 2017 superannuation changes coming up, it is timely to review the new super world.

Transfer balance cap

From 1 July 2017, the maximum amount that can be held within pension (tax-free) phase is $1.6 million, which will increase each year with CPI, rounded down to the nearest $100,000. There is no limit to the amount you can hold within accumulation phase.

Contribution limits

The concessional (pre-tax) contribution cap has reduced from $35,000 or $30,000, to $25,000 per year. Due to this change a review of any salary sacrifice arrangements is recommended to ensure you are within the new limits.

Since 1 July 2017, employees can make a tax-deductible super contribution. Previously, this was an option only available to those who were self-employed, substantially self-employed or unemployed.

The non-concessional (post-tax) contribution cap has reduced from $180,000 to $100,000 per year (four times the concessional contribution limit). Individuals under age 65 will have the option of contributing up to $300,000 over a three-year period depending on their super balance.

Subsequent to these changes there are some additional restrictions on certain people making non-concessional contributions to super.

If your super balance exceeds the transfer balance cap you are unable to make any additional non-concessional contributions to super.

Even if you have triggered a bring-forward provision in previous years, you will be unable to make use of your remaining cap.

Those who have triggered the bring-forward provisions in previous years (when the cap was $540,000), will need to review how much of the remaining cap they can use. If the bring-forward provision was triggered in 2015-16, you are able to make a maximum total contribution of $460,000. If triggered in 2016-17 the maximum contribution possible is $380,000. For example, if $200,000 was contributed in January 2017, you will only be able to contribute a total of $180,000 over the remaining two years.

On a positive note, from 1 July 2018 the government has introduced the ability to carry forward any unused concessional contributions cap, for those individuals with a super balance of less than $500,000.

Added benefits

From 1 July 2018 individuals will have the ability to withdraw voluntary super contributions made after 1 July 2018 for a first home, under the First Home Super Savers Scheme.

Individuals will be restricted to contributions of $15,000 per year and the maximum withdrawal amount of $30,000. Concessional contributions and earnings withdrawn from super will be taxed at marginal tax rates less a 30 percent offset.

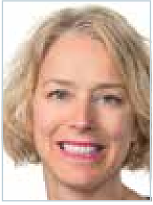
Those over age 65 can use home sale proceeds to make a one off contribution to super, after 1 July 2018, free of any contribution caps (provided they have owned the home for 10 years).

Check up for SMSFs

While a SMSF must comply with all of the super changes, the onus falls on the SMSF trustees. Trustees should:

- Ensure that your Trust Deeds permit for all the changes in legislation. It might be time for an update.
- Consider if your death nominations are still appropriate. Each member is bound by the $1.6 million transfer balance cap therefore inheriting the balance of a deceased member may mean your own balance will exceed the $1.6 million cap.
- Consider where is it most appropriate to draw down your pension from. Some clients will have a drop to their minimum pension requirements based on their pension balance reducing to $1.6 million. As pension phase becomes more precious it may be appropriate to draw down from other areas to preserve your pension benefits.

Ultimately, as trustee of a SMSF you are responsible for administering the fund and ensuring that it remains compliant. At times, particularly through great legislative change, this duty can become very onerous. It may be time to give your SMSF a check up to ensure your greatest retirement vehicle remains an effective one.



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Punitive costs may be imposed on employers by the ATO for failure to meet their quarterly superannuation guarantee (SG) obligations on time – even if the payment is just one day late.

Beware penalties for late SG payments

Employers that do not pay their employees' super on time and in full are required to pay a superannuation guarantee charge (SGC).

The SGC is calculated as the sum of:

- The shortfall amount - which is calculated on employees' salary and wages, rather than their ordinary time earnings (OTE)
- A nominal interest component of 10 percent of the shortfall amount from the beginning of the quarter in which the contribution was required to be made until the lodgment of an SGC statement (note – late payment of the SG does not stop the interest from accruing), and
- A $20 administration fee per employee.

The potentially costly impact of the SGC is shown in the following example:

An employer with 10 employees had a super liability for the March 2015 quarter of $9,500 (based on OTE of $100,000). The total salary and wages (which includes other amounts such as overtime and allowances) paid to employees for the quarter was $110,000.

The employer pays the super guarantee of $9,500 in full on 29 April 2015 (just one day late).

Assume the employer is subject to an audit three years in the future and submits SGC forms to the ATO on 5 May 2018. The employer also makes the Late Payment Offset Election (LPOE) to offset the super guarantee paid late against the SGC.

The SGC payable by employer would be approximately $4,637, comprised of the following:

- Shortfall amount of $10,450 (being total salary and wages of $110,000 x 9.5 percent)
- Interest of $3,487
- Admin fee of $200
- Less: LPOE amount of $9,500.

The SGC payable is significant considering the actual amount of SG contributions of $9,500 was only paid one day late.

Practical Compliance

The ATO previously applied a Practical Compliance approach where an employer could pay 'top-up' interest of 10 percent directly to an employee's fund to compensate them for lost earnings rather than paying the SGC. However, the ATO discontinued this approach from June 2017.

Unfortunately, the SGC can apply irrespective of whether the failure to make SG contributions is deliberate avoidance, an inadvertent mistake or a misunderstanding of the complex legislation (for example, in determining whether an individual is a contractor or an employee for SG purposes).

There is also no discretion for the Commissioner to reduce the amount of SGC.

Other penalties

In addition to having to pay the SGC, employers should be aware of the other potential penalties and consequences of not meeting their super obligations:

- The entire SGC amount (that is the shortfall, the nominal interest and the administration charge) is not tax deductible
- General interest charges also accrue on the SGC until it is paid
- The ATO can impose other penalties. For example, the maximum penalty for failing to provide an SGC statement when required is 200 percent of the SGC payable
- Directors of a company that fails to meet an SGC liability in full by the due date can become personally liable for a penalty equal to the unpaid amount.

The government recently released draft legislation to impose criminal penalties, including up to 12 months in jail for employers (including directors of companies that employ staff) who fail to comply with a direction to pay outstanding superannuation guarantee.

Improved detection

The ATO and superannuation funds are improving their detection of late SG payments.

Therefore, employers that discover they have not met their SG obligations should take steps to rectify the situation as soon as possible.

Employers can mitigate the risk of non-compliance by paying their super guarantee monthly (so if, for example, a payment is missed the impact is only one-third of what it could have been) and by prioritising the payment of the super guarantee on time. ■

"Directors... that fail to meet an SGC liability in full by the due date can become personally liable for a penalty equal to the unpaid amount."

The 2018 Federal Budget

Federal Treasurer Scott Morrison has delivered a budget generally considered to be election-focused, forecasting a return to a modest surplus by 2019-2020, one year ahead of schedule.

Headline items include staged personal tax cuts and increased spending on health, aged care and infrastructure.

It was a careful blend of tax measures to please voters – from personal tax cuts for lower and middle income earners to the extension of the $20,000 instant asset write off for SMEs – whilst scaling back marginally certain concessions such the introduction of a research and development (R&D) tax incentive 'intensity threshold.'

Super changes welcomed

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Superannuation was a major focus in the latest Federal Budget, with a range of measures implemented to encourage Australians to save through their super.

Treasurer, Scott Morrison, delivered a budget that is positive to the superannuation sector, a welcome move considering the substantial overhaul which came into effect from 1 July 2017. No doubt caution was also exercised with this budget in view of the outrage received as a result of Bill Shorten's proposal to scrap dividend franking refunds for retirees.

Key take outs from the 2018 Federal Budget with regards to the superannuation sector are as follows:

SMSF membership increase

The Government confirmed its decision to allow the number of self managed superannuation fund (SMSF) members to increase from four to a maximum of six. The increase in number of fund members will allow for larger families as well as potential flexibility with how SMSFs can be structured moving forward.

SMSF audit requirements

One of the surprises to come out of the budget is the proposed removal of the annual audit requirement to a three year cycle. This will only apply to funds that have a good record keeping and clean compliance history. This is a good result for those SMSF trustees who are doing the right thing year in, year out, and may assist in the reduction of annual compliance costs of running a SMSF.

Work test exemption

Another favourable outcome from the Budget was the proposed work test exemption for those retirees between the ages of 65-74 whom have less than $300,000 in superannuation.

The proposal will allow these retirees with balances under $300,000 to utilise the concessional ($25,000) and non-concessional ($100,000) contributions for one year only.

This measure, as well as the 'downsizer contribution' – that has been legislated to come into effect from 1 July 2018 (see separate story on page 12) – which allows those who sell their main residence to contribute up to $300,000 into super regardless of the work test, is a good result for retirees with limited superannuation balances.

Superannuation trustees required to develop strategies for members

Another positive outcome for retirees is the proposal to introduce a retirement income strategy.

This will require trustees of superannuation funds to develop a strategy that will assist members achieve the most favourable retirement income objectives for their particular circumstances.

Trustees of superannuation funds will now be required to offer varying types of pension/income stream products to their members.

SGC opt out for high income earners

A positive outcome for those high earning individuals with multiple employers is that they will now be able to nominate their wage from certain employers to not be subject to the Superannuation Guarantee (SG) from 1 July 2018.

This will allow eligible individuals to avoid unintentionally breaching the concessional contributions cap. This will assist in simplifying their ongoing tax obligations.

Default insurance on superannuation

The Government proposes to amend the default insurance arrangement on superannuation funds.

Members who are less than 25 years old, with a balance of less than $6,000 and an account which has been inactive, will be able to "opt-in" for insurance cover, rather than it being a default arrangement.

This is a positive result - saving younger people from paying for insurance they may not need or want at their given stage in life. ■

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It is clear that the Government is aggressively investing to ensure blatant tax cheats are caught with $130.8 million to be allocated to the ATO to target groups suspected to be high risk.

What it means for you

Some of the other key elements of the 2018 budget are summarised below:

Personal income tax reductions will be phased in. Phase One will benefit taxpayers on incomes up to $90,000 from 1 July 2018. Phase Two in 2022–23 will increases the tax rate thresholds to mitigate against bracket creep. Phase Three will eliminate the 37 percent tax bracket and from 2024–25 all taxpayers earning up to $200,000 will have a marginal tax rate of 32.5 percent.

The Government will extend the current instant asset write-off ($20,000 threshold) for small business entities by 12 months to 30 June 2019.

This applies to businesses with aggregated annual turnover less than $10 million (see separate story on page 9 for more detail).

The Government will extend specific anti-avoidance rules that apply to other closely held trusts that engage in circular trust distributions to family trusts. Currently, where family trusts act as beneficiaries of each other in a round-robin arrangement, a distribution can ultimately be returned to the original trustee in a way that avoids any tax being paid on that amount.

The Government will disallow deductions for expenses associated with holding vacant land. Where the land is not genuinely held for the purpose of earning assessable income, expenses such as interest costs will be denied. It is hoped this measure will reduce the tax incentives for land banking which limit the use of land for housing or other development.

In response to combatting the Black Economy, there is a proposed ban on cash transactions above $10,000 and denying a tax deduction for wages where the employer does not withhold the necessary PAYG tax.

Unlike past trends there are no new significant taxes against foreign investors, but there was a missed opportunity to provide targeted tax concessions for foreign investors to assist build and fund Australia's infrastructure and housing stock.

New rules governing the R&D incentive will limit the cash benefits that businesses with an aggregated turnover of less than $20 million can receive from the incentive. For larger businesses, the introduction of an intensity threshold brings more complexity to the calculation of eligible expenditure. ■

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Bottom line measures

While the focus of many of the personal finance measures in the budget were centred on superannuation, the following will also impact individuals' bottom lines.

Testamentary trusts

From 1 July 2019, the concessional tax rates available for minors receiving income from testamentary trusts, which are currently taxed at normal adult rates, will be limited to income from assets transferred from deceased estates, or the proceeds of disposal or investment of those assets.

This measure aims to avoid benefit to taxpayers where assets unrelated to deceased estates are injected into testamentary trusts to avoid the penalty tax rates that apply to minors.

Deductions for vacant land

From 1 July 2019, owners of vacant land will no longer be able to claim expenses such as interest costs, council rates and maintenance costs as tax deductions.

This measure is intended to reduce incentives for land banking, which reduces the availability of land for housing or other development. This will not apply to expenses incurred in holding land that occur after:

- A property has been constructed and approved for occupation; or
- The land is being used for business purposes, including primary production.

Medicare levy

Due to increased tax revenues, the Medicare levy, originally proposed to increase from 2.0 percent to 2.5 percent on 1 July 2019 to fund the National Disability Insurance Scheme, will now remain unchanged.

Older Australians

A number of measures will be introduced from 1 July 2019 to enhance the standard of living of older Australians.

These include an increase to the Pension Work Bonus from $250 to $300 per fortnight, amendments to the pension means test to encourage the use of lifetime retirement income products, and expansion of the

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Payroll tax – the hidden risks of interstate employees

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A common trap for growing businesses is knowing when their total wages reach the level that requires them to register for payroll tax in the states or territories in which they have employees.

The various State Revenue Offices, just like the ATO, increasingly use data-matching from a variety of sources (including sharing information between themselves) to test compliance with the rules, and we are seeing an increase in payroll tax investigations.

Just to prove that life wasn't meant to be simple, every state and territory has a different threshold and charges payroll tax at different rates.

Below is a summary for the year ending 30 June 2018.

For payroll tax purposes, 'wages' generally include any amounts of wages, salary, remuneration, commission, bonuses or allowances paid to employees, as well as taxable fringe benefits, employer superannuation contributions, benefits provided under an employee share scheme and payments to certain individuals and entities who might otherwise be regarded as contractors.

Tax-free threshold

The second common risk for a growing business is when they are registered for payroll tax in their home state, but have one or two interstate employees.

These businesses must then report their taxable Australian wages in each state, applying the relevant tax-free threshold and then apportioning the excess over the threshold to each state (the method used to do this calculation varies for each state and territory).

The effect will be firstly that they will need to register and start paying tax on wages relating to the second state, and secondly this will increase the payroll tax payable in the home state.

Take the example of Alpha Pty Limited, which has 15 employees in NSW and total annual wages of $1.2 million, and therefore has a NSW payroll tax liability for 2018 of $24,525.

Say that on 1 July 2017 Alpha's directors decided to build on their fledging customer base in Queensland by employing two sales representatives and a support staff member based in Brisbane for total additional salary costs (including commission) of $300,000.

Total Australian wages will now be $1.5 million, of which 80 percent relates to NSW wages and 20 percent to Queensland wages.

For NSW the payroll tax will now be $32,700 (i.e. ($1,500,000 - $750,000) x 5.45 percent x 80 percent), while in Queensland the payroll tax will be $4,750 (calculated on the Queensland OSR website), so Alpha will pay total payroll tax of $37,450.

State or Territory	Rates (%)	Annual wages threshold ($)	Monthly wages threshold ($)
ACT	6.85	2,000,000	166,666.66
New South Wales	5.45	750,000	57,534, 61,644 or 63,699
Northern Territory	5.5	1,500,000	125,000
Queensland	4.75	1,100,000	91,666
South Australia	2.5 to 4.95	600,000	50,000
Tasmania	6.10	1,250,000	95,890, 102,740 or 106,164
Victoria	3.65 or 4.85	625,000	52,083
Western Australia	5.5	850,000	70,833

Grouping of related entities

A very common payroll tax trap is the extremely wide grouping rules, which can apply to entities within the same state, and also to related entities in different states.

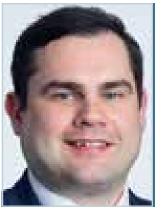
When entities are grouped in the same state, only one member (referred to as the Designated Group Employer) will usually claim the tax-free threshold while all other members will be taxed at the applicable flat rate on all of their wages for the period.

However, when entities are grouped in different states, the thresholds are apportioned according to the total annual Australian taxable wages.

There a several different grouping rules that can apply including where one entity controls another, or where they are both controlled by a third entity. Controlling interests can be established by direct holdings, or may be indirect by tracing through interposed entities (which is where some unexpected outcomes may arise, especially where trusts are used in the structure).

Let's vary Example 1 and have Alpha establish a subsidiary company Beta Pty Limited to run the Queensland business, which is to be owned 60 percent by Alpha and 20 percent each by the two Queensland sales representatives. Clearly Alpha has a controlling interest in Beta, so they will be considered grouped for both NSW and Queensland payroll tax purposes.

As in Example 1, there will be an apportionment of the NSW payroll tax threshold and Queensland payroll tax threshold with the calculation resulting in the same outcome, a total payroll tax of $37,450, i.e. Alpha will pay $32,700 in NSW, and Beta will pay $4,750 in Queensland. ■



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New legislation means that sales of low value imported goods (LVIGs) to Australian consumers (which have a customs value of AU$1,000 or less at the time of sale) will be subject to GST from 1 July 2018.

New GST rules for low value imported goods

Businesses will need to consider whether their business is captured under the new rules and, if so, what changes to their commercial practices, reporting requirements and internal systems need to be made.

Under the current legislation, overseas businesses selling LVIGs into Australia are not required to charge an additional 10 percent GST in the way that Australian retailers are.

The move is intended to level the playing field for Australian businesses.

The responsibility to remit GST will be with the supplier of the LVIGs and not the Australian consumer.

As a result, the ATO has been engaging with impacted suppliers to ensure they comply with the new rules.

Where supplies of goods are made to Australian business consumers that are already registered for GST, no GST will apply provided there is proof of registration. There will also be no changes to the GST treatment of low value goods that are GST-free (such as medical supplies) or input taxed (such as precious metals).

Who is affected?

The amendments in relation to the supply of LVIGs are a relatively major change to the Australian GST system, not only for Australian consumers, but also for overseas businesses making supplies of LVIGs to Australia.

Sellers, operators of online marketplaces (such as Alibaba, Asos or Amazon) and redeliverers (such as a mail, post and/or package forwarders) will be affected by the new law. The current GST registration turnover threshold of $75,000 will apply to supplies covered by the new legislation.

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Last chance for $20,000 deduction

While the May 2018 Budget extended the $20,000 immediate write off for small business for an additional year, there may still be benefit in bringing purchases forward and claiming the deduction in the current financial year.

Currently, small businesses with aggregated turnover of less than $10 million are entitled to claim an immediate deduction for depreciable assets costing less than $20,000 (less than $22,000 GST inclusive if registered for GST).

However, the threshold for the immediate deduction is scheduled to reduce to $1,000 ($1,100 GST inclusive) from 1 July 2018.

Purchase review

Small businesses should review their planned purchases of depreciable assets and consider bringing the purchase of any items costing less than $20,000 forward where possible in order to claim the 100 percent deduction in the year ended 30 June 2018.

Any assets costing more than the immediate write-off threshold must be added to the general small business depreciation pool and depreciated at 15 percent in the year of purchase and 30 percent in subsequent years.

Any assets which have not been pooled in previous years must also be added to the pool, and will be depreciated at 30 percent.

What to do if your business has a data breach

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New data breach rules that came into effect from 22 February 2018 will impact organisations that handle personal information on their clients.

The Notifiable Data Breaches (NDB) scheme, applies to all agencies and organisations that collate personal information about their clients.

Common examples are an individual's name, signature, address, telephone number, date of birth, medical records, bank account details and commentary or opinion about a person.

Any organisation that experiences a data breach that is likely to result in serious harm are required to notify individuals whose personal information is involved.

This notification must include recommendations about the steps individuals should take in response to the breach.

The Australian Information Commissioner must also be notified of eligible data breaches as soon as practicable.

Who must comply?

The NDB scheme applies to Australian Government agencies, businesses and not-for-profit organisations with an annual turnover of $3 million or more, credit reporting bodies, health service providers, and TFN recipients, among others.

When to notify

A data breach is an unauthorised access or disclosure of personal information, or loss of personal information. The NDB scheme only applies to data breaches involving personal information that are likely to result in serious harm to any individual affected. These are referred to as 'eligible data breaches'.

Assessing breaches

If a business is aware that there are reasonable grounds to suspect that there may have been a serious breach, which is likely to result in serious harm to any individual affected, it must complete a reasonable and expeditious assessment into the relevant circumstances within 30 calendar days.

Responding to data breaches

An effective data breach response generally follows a four-step process – contain, assess, notify, and review.

Data breaches can have serious consequences, so it is important that entities have robust systems and procedures in place to identify and respond effectively.

For detailed information on the Notifiable Data Breaches Scheme please refer to Australian Government Office of the Information Commissioner website at www.oaic.gov.au.

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Pensions Loans Scheme to allow more Australians to use the equity in their homes to increase their incomes. Additional funding has also been announced to enable older Australians to remain in their homes for longer.

Lifetime retirement income

New means test rules for lifetime retirement income stream products will come into effect from 1 July 2019, creating a base for the development of new retirement income stream products.

Under the new rules, 60 percent of pooled lifetime product payments will be assessed as income to determine aged pension eligibility, and 60 percent of the product's purchase price will be assessed as assets. This will apply until age 84 (or a minimum of five years), and then reduce to 30 percent for the person's remaining lifespan.

Grandfathering will apply to lifetime retirement income streams purchased before this date.

Pensions loan scheme

This measure recognises that many Australians have significant wealth tied up in their family home. The pension loan scheme (PLS) is a type of reverse mortgage, allowing eligible retirees to enhance their income, and is being expanded from 1 July 2019.

The Government intends to increase the maximum allowable combined age pension and PLS to 150 percent of the age pension rate. The new scheme will allow all retirees of pension age, whether full or part pensioners, or self-funded retirees, access to home equity release options.

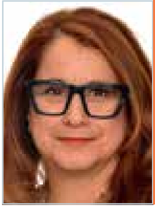
Those on full pensions, for example, will be able to draw up to $11,800 (singles) and $17,800 (couples) annually to supplement retirement income.

The current borrowing rate under the scheme is 5.25 percent, and the loan can only be taken as an income stream rather than a lump sum.

Unlike traditional reverse mortgages, those accessing the scheme will not have their Centrelink entitlements affected.

In home care funding boost

The Federal Budget also announced a boost to in-home care, with an extra $1.6 billion to be spent to create 14,000 new home care places. The aim is to assist older Australians to live at home for longer and to avoid residential care. Funding will go towards in-home care activities such as showering and dressing, meals and transport.



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Fresh from her "Most Client-Focused Accountant" win at the AFR Client Awards, Litsa Christodulou outlines her advice to organisations wanting to better meet client needs.

Six of the best: client relationship tips

The way that businesses go about managing their client relationships can vary greatly. Nevertheless, there are a few basic tenets of client relationships that hold true, regardless of the size or primary purpose of the organisation.

Plan ahead

'Client relations' is not an ad-hoc activity, nor one that should be launched into without any preparation or planning. Every business should have a well-developed approach to client relationship management.

This includes clear rules on who is authorised to interact with clients and under what circumstances – having the right team working alongside the client can also make a positive difference.

The management of new clients is also an important part of the process – for example, adding their name and contact details to specific databases to receive updates, regular promotional materials, invitations, or other general information, and understanding when further face-to-face contact might be required.

Make sure everyone in the business who has contact with clients – from receptionists to the accounts department and, more specifically, the internal team designated to work closely with the client on an ongoing basis – understands the basics of client interaction, the client's values, and the steps to take if there are any issues which need to be addressed.

Understanding how the client likes to interact is also an important factor.

Know the client

It's important to invest time and resources to ensure the business is positioned to meet client needs. Also, try to learn what makes the client tick, not just on a business level but also a personal one – this might be tricky in the beginning but will be easier as the relationship evolves. You have to build rapport and trust, which may take some time.

It is also important to note that as the relationship develops over a number of years, there is potential for those initial needs change.

Over the long term, asking for regular feedback can be invaluable with regards to understanding how your processes are working and if client needs are being met. These also allow the client an additional opportunity to evaluate your service.

Keep in touch

Even if the relationship with clients doesn't necessarily require regular personal contact, it is worthwhile to find a way to "chat" from time to time. For example, an occasional follow up phone call following completion of work is always a good idea.

A phone call or a face-to-face interaction does help build rapport with the client and provides the opportunity to address issues immediately, and allows the client to provide additional information they may not express via email.

Additional communication tools such as regular newsletters, news alerts, feedback forms further the personal approach and facilitate relationship-building, shows the company values its clients, and is actively seeking feedback on its service.

It also helps ensure any problems or misunderstandings are identified early.

Tailor the approach

Different clients appreciate different types of service and it is important to tailor the approach to suit. Some might appreciate a regular phone call to touch base, while others might find this intrusive or irritating. Some might welcome electronic contact by email, while others would find this impersonal.

Don't assume a blanket approach will work for all, and if in any doubt ask clients in your regular dealings with them about their preferences.

Not just new clients

A mistake many businesses make is to focus primarily on gaining new clients and forgetting to look after existing ones.

Cultivating ongoing relationships with every client is imperative and takes time – aim to generate deeper and better relationships with all clients at various stages of their relationship with your organisation as this serves both sides of the relationship in the long term.

Make the effort to keep existing clients happy and grow the client base from there.

Existing clients who are happy with the service are an excellent form of third party endorsement and referral.

Say thank you

Whether it is thanking a long-standing client for their support or for passing your name on to a prospective new client, a simple thank you shows appreciation and recognition as well as an established personal link.

Businesses that pay attention to these tenants of client relationships will find they have a better understanding of what clients are looking for from the service provided, and will build longer-lasting relationships with clients over the long term. ■

Downsizer super contribution lowdown

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New 'downsizer contributions' legislation means that from 1 July 2018 individuals can use the proceeds from the sale of a current or former principal place of residence as an additional superannuation contribution.

The downsizer contribution legislation is welcome, but there are however some important requirements that must be met for the new rules to apply.

The amount of the contribution is capped at $300,000 per individual, meaning a married couple could contribute up to $600,000.

The contribution can be made even if a person's super balance exceeds $1.6 million.

The sale of a current or former principal place of residence must occur on or after 1 July 2018, and the residence must have been owned for at least 10 years before the sale.

The residence cannot be a mobile home, caravan or houseboat and it must be located in Australia.

As well, any contribution made must be done within 90 days of settlement.

The individual must be over the age of 65. If making a contribution for your spouse, the contribution must be made after your spouse turns 65.

All downsizer contributions for one individual must be made from the same property, however, your spouse may make a downsizer contribution from one property and the partner may make a downsizer contribution from another property.

Any unused portion of a downsizer contribution cap cannot be transferred to your spouse.

For those over the age of 75, the contribution can still be made even if you do not satisfy the 'work test'.

Bruce Wigan

12.03.65 – 18.05.18

It is with sadness that we advise the passing of Bruce Wigan. He was a respected Partner of the Adelaide firm for 14 years, a trusted adviser to his clients, and a friend of everyone at HLB Mann Judd. He will be dearly missed.

Our thoughts are with Bruce's wife Robyn and his four daughters, Samantha, Clare, Louise and Jo during this very difficult time.

FINANCIAL REVIEW CLIENT CHOICE AWARDS 2018 WINNER
Independently researched by: beaton

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