



INTRODUCTION

It's "silly season" as our industry calls it. That 3 or so months after the financial year end is our busiest.



A quick timely reminder of our processing times:

- Individuals: 1 week
- Businesses: 6 weeks
- SMSF's: 8 weeks

Some quick tips on how you can get your job processed as quickly as possible:

- Include all of your information (we'd rather too much than not enough);
- Respond to our requests and enquiries promptly (we've had clients call us to "have a go" only to be embarrassed when they are reminded that we're waiting on them);
- Organise your paperwork and make it as easy as possible for us (plus it will keep your fees low);
- Get it to us as soon as possible

If you have a particular time frame you need your job done within (for example you are selling your business) we will do our best to accommodate.

STAFF UPDATE

We welcome Josie Arena into the MCA team. Josie will add to our admin team and will be the first point of contact most of our clients will have on the phone.

RECENT ATO ACTIVITY

ATO Encouraging Online BAS Lodgments

The ATO is promoting the online lodgment of quarterly activity statements (i.e. via the business portal) with the offer of a 2 week extension for the September, March, and June quarters (December already gets a blanket 4 week extension to accommodate Christmas).

We suspect that this offer will be one of the last efforts the ATO make in encouraging people to move away from paper BAS's. The next step is likely to be the forced migration to electronic.



Our suggestion: Like it or not, the ATO is on a path to moving BAS's across to electronic lodgment only. You may as well start to move across while the ATO is being generous on terms.

We have a brochure titled "ATO Digital First Policy" on our brochures page of our website which goes through this in more detail. You can download it [here](#).

OUR STRATEGIC PARTNERS

We can't be experts in all things and we would be doing our clients a disservice if we pretended otherwise.

We are in the process of updating our list of strategic partners and if you know of a business that may be able to assist our clients, we would love the referral.

You can view our current list of partners on our website at www.mcaaccountants.com.au/about/partners

CHANGING LANDSCAPE OF RESPONSIBILITY

It seems that the courts these days are more likely to add third-parties as accessories to a breach of a business law if they could or should have known about it.

A recent case involving an accounting firm highlights this and the responsibilities we (as accountants) have with clients that are breaching the law.

In *Fair Work Ombudsman vs Blue Impression Pty Ltd*, the accounting firm was engaged to process the payroll of their client. The processing was based on what the client told the accounting firm they were paying staff (i.e. the accounting firm was engaged to merely process the client's figures, not work them out for them).

It turned out that the client was underpaying staff and as such Fair Work become involved and penalised the client. FWA then set about launching legal action against the accountant.



The court found that the accountant had all the information to determine whether or not staff were being underpaid, and as such had a duty to intervene.

This is despite the accountant not being engaged to review the payroll and payroll not being part of their expertise.

In other words, **the accountant was liable to do a heap of extra work to check that the payroll complied with the law, even though they were not asked to by the client.**

"Turning a blind eye" (or even not investigating) just doesn't cut the mustard these days. When running your business, ensure that you are diligent and go that extra



step to ensure that none of your work can be called into question.

EVER CHANGING SUPERANNUATION

It seems that every quarter there are a raft of changes relating to superannuation.

The Government have recently announced reforms to:

- Require superfunds to report contributions at least monthly;
- Roll out Single Touch Payroll to employers over the next 2 years;
- Allow the ATO to seek court-ordered penalties for those not paying superannuation;

And the one that pricked our ears up

- Improve the effectiveness of the ATO powers around the use of Director Penalty Notices and security bonds

Director Penalty Notices (“DPN”)

A DPN is a notice served upon a Director of a company by the ATO that effectively makes that Director personally liable for a company debt.

One of the main features of a company is that it is a separate legal entity to the individuals that both own (the shareholders) and run it (the directors). This means the company and the company only is generally liable for the debts of the company.

There are protections in place for creditors when the Directors of the company deliberate abuse this, however they are usually reserved for serious cases due to the costs involved in proving this in court.



One “exception” to this is a DPN. Upon being given a DPN, the Directors of the company are personally liable for the debt covered by the notice.

The ATO have power to issue DPN’s for certain debts, and unpaid superannuation is one of them.

Put all the Changes Together

This is what we see.

In recent times the Government has legislated that all superannuation payments must be made electronically and via a standard format (SuperStream) that they have access to.

The Government can easily track who pays and when.

Coming soon is Single Touch Payroll, which among other things will expand payroll reporting from a single total for all employees per month or quarter (i.e. on your BAS’s), to detailed weekly amounts per person.

The Government will be able to see who receives wages, how much, and therefore easily calculate how much super should be paid per employee per quarter.

And now greater powers are being given to the ATO to enforce the payment of superannuation on their terms.

The Government will be able to enforce superannuation payment the day it becomes overdue.

If your business isn’t taking the payment of superannuation seriously, you can bet the ATO will do it for you.

If you want help in setting up systems to ensure that you avoid the ATO’s radar, just give us a call.

ATO SMALL BUSINESS BENCHMARKS

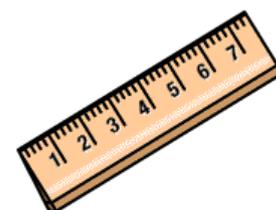
The Australian Bureau of Statistics recently estimated that unreported business income totals around \$24 billion. To reduce the amount of money circulating under the radar, the ATO constantly monitors the cash economy to ensure small business owners report all of their income.

Small business benchmarks are one set of tools the ATO uses to do this. Understanding how the benchmarks apply to your business can help you keep the right records and avoid an ATO audit.

You can read more direct from the ATO, and even view the benchmarks they are using at <https://www.ato.gov.au/Business/Small-business-benchmarks/>

Small Business Benchmarks Explained

Small business benchmarks are financial ratios the ATO uses to compare the performance of your business against similar businesses in your industry. It calculates them from the income tax returns and business activity statements of over 1.3 million Australian small businesses. The ratios include figures such as cost of sales, labour, rent and materials, given as percentages of business turnover.





If your business falls outside the benchmarks, you may be flagged for an ATO audit.

Industry Classifications

The ATO will use the business industry code and the business activity description in your tax return to determine your industry benchmark. Key words in your business activity description and trading name also tell the ATO which industry subgroup(s) your business falls into.

A business can fall into more than one industry subgroup, which allows for the fact that some businesses have diverse product lines. For instance, if you run a meat and poultry retailing business, its performance should be compared against benchmarks for both the meat retailing and fresh poultry retailing industry subgroups.

When you receive your tax information from us, it's important to check that the industry code and description in your tax return accurately reflect your type of business. If not, you should let us know immediately to have it changed.

Types of Benchmarks

There are two types of benchmarks that the ATO monitor.

Performance Benchmarks

These benchmarks use a number of different ratios to check your business's performance against other businesses in your industry. They help the ATO identify any businesses that may not be reporting all of their income. Performance benchmarks include:

- income tax ratios such as cost of sales to turnover, total expenses to turnover, and rent to turnover; and
- activity statement ratios, including non-capital purchases to total sales, and GST-free sales to total sales.

Input Benchmarks

Input benchmarks apply to (for example) tradespeople who purchase their own materials to perform jobs for household customers. These benchmarks show an expected range of income based on the total cost of labour and materials used.



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They are calculated from information provided by trade associations and other industry participants. For example, the West Australian Solid Plastering Association helps the ATO set input benchmarks for plasterers who work with domestic customers.

Keeping Track of your Business

It's important to check your benchmarks on a regular basis and if any figures are outside the benchmark ranges, have a look and see why and whether it needs to be addressed.

We can give you guidance on how to perform these checks and fix any problems.

MCA STUFF

Sending Large Files

If you have a file that's too big to email, simply go to www.mcaaccountants.com.au/send and your file will be uploaded to us directly.

Payment Options

For details of our payment options, head across to <http://www.mcaaccountants.com.au/payments>.

Included is a direct debit facility for those that need extra time to pay their fees, or for those that wish to spread the cost of their fees over the full year.

Bookkeeping Services

In addition to your tax needs, we also offer bookkeeping services.

We have a brochure outlining how cloud computing and accounting software go together [here](#), and a brochure that outlines our fixed fee packages [here](#). We also do hourly rates if desired.

Terms & Conditions

Our various terms and conditions documents are available on our website, with a few of them below:

- [Standard terms of engagement](#)
- [Invoicing and debtors policy](#)
- [Client portal terms](#)
- [Fixed fee bookkeeping](#)
- [Fixed fee SMSF processing](#)



TAX RATES

Current Rates

Individual tax rates for the **2018** income year are:

Taxable Income	Tax	+	Rate on excess
0 - 18,200	0		
18,201 - 37,000	0	+	19%
37,001 - 87,000	3,572	+	32.5%
87,001 - 180,000	19,822	+	37%
180,001 +	54,232	+	45%

All of the above exclude the Medicare Levy and all rebates and other adjustments.

For example, a person earning \$50,000 will pay \$3,572 + 32.5% of the excess over \$37,000 (\$4,225), being a total of \$7,797.

Medicare & Deficit Levy

The Medicare Levy is currently 2% and is budgeted to rise to 2.5% on 1 July 2019. The Deficit Levy (currently 2% for those earning \$180k) will be scrapped on 1 July 2017.

Average Rate of Tax

We often get asked by sub-contractors how much of their income they should put aside for tax. Essentially they are asking what their average tax rate is, and it is handy to know for everyone.

Note: These figures include the current Medicare Levy (2%) & Low Income Rebate.

Income	Avg Tax %	Income	Avg Tax %
\$10,000	0.0%	\$70,000	22.4%
\$20,000	0.0%	\$80,000	23.9%
\$30,000	8.0%	\$100,000	26.6%
\$40,000	12.4%	\$120,000	28.7%
\$50,000	17.1%	\$140,000	30.2%
\$60,000	20.2%	\$180,000	32.1%

For example, a person earning \$80,000 pays tax of \$19147 (\$17,547 + \$1,600 Medicare Levy), which is 23.9% of their income.

ATO Interest Rate

The ATO interest rate is based on the 90 day "bank accepted bill" interest rate.

When you owe the ATO money, the rate used is the BAB rate + 7% (which works out to be around 9%)

When the ATO owes you money, you receive just the BAB rate, but only in limited circumstances.

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