



INTRODUCTION

Firstly, we'd like to wish everyone a Merry Christmas and a safe and happy new year!!

Our office will be closed during the holiday period. Our last day in the office before Christmas is **Thursday 21st December**, and we return on **Monday 8th January**.



We typically find December and January to be quiet months for us, so it's a perfect time to get your work in and processed quickly by us, with hopefully tax refunds coming your way.

MISSION VISION VALUES

We are excited to introduce our newly formed Mission Vision Values statement.

Our Mission

Everyday our relationships are built and strengthened by making tax and accounting simpler and clearer for everyone

Our Vision

That our growing client base says, "go to MCA" without hesitation. We are our regions choice for tax, accounting and advisory services

Our Values

Motivated – We provide a premier service by keeping up to date with changes to law and technology

Communication – We educate and empower our clients to succeed through strong communication

Approachable – We are always available to assist and consult with anyone that needs our help

PAYMENT REFERENCES

We'd like to remind our clients when making payment via bank transfer, please include your invoice number in the description.

Generic descriptions such as "ASIC Fee" or "July 2017" (real examples) don't give us any insight into who is making the payment, and as such your account remains unpaid in our system and open to incurring interest and or debt collection activities.

Details of our payment options can be found at www.mcaaccountants.com.au/payments

As a follow up to a recent email out, we are changing our debtor management software and payment gateway. More info can be found [here](#).

RECENT ATO ACTIVITY

Crackdown on Travel

The ATO are cracking down on travel deductions which are by far the highest type of personal tax deduction claimed.

We discuss what travel expenses are deductible a little later.



Property Records Obtained

We've touched on it a few times – the ATO is getting an increased amount of data for its "data matching" program.

In addition to all current (and future) property sales, with recent changes to foreign investment rules the ATO have just obtained the property data for **EVERY PROPERTY SALE SINCE THE 1980's!!**

If you sell a property, expect that the ATO will know about it.

If you've sold a property in the past and failed to declare it on your tax return, we suggest you give us a call to discuss your options. The ATO are always more lenient with voluntary disclosure.

Investment Property

The ATO have released two new information packs on investment properties. We typically find that the release of things like this is followed up with increased audit activity the following year – so we recommend all clients with investment property have a look at the below.

- [Top 10 tips to avoid common tax mistakes](#)
- [Tax-smart tips for your investment property journey](#)

Crackdown on Travel (2)

Commonly, people receiving a travel allowance (or other allowance) believe they can automatically claim a deduction equal to that allowance.



Very rarely is your eligible deduction equal to the allowance you receive, and this is one easy way for the ATO to flag your tax return for audit.

TRAVEL DEDUCTIONS

With the increased ATO scrutiny we thought it's timely to provide a summary on what travel deductions the ATO consider allowable.

We note that some travel can be deductible that is outside the scope of this article. For full details, [click here to view our brochure](#).

Transport Expenses Generally

The ATO consider that for transport expenses to be claimable, all the following must be satisfied:

1) Required by work

The travel must be required by the work activities, not just convenient. Travel due to personal choices (such as where you live) are not claimable.

2) Paid to travel

Are you paid to travel, or is the travel before or after your paid hours? If you "clock-on" after you arrive at your location, then chances are that trip is not deductible.

We note that the receipt of a travel allowance is not a determining factor in this test.

3) Under direction while travelling



Are you under your employer's control while travelling? Can they dictate to you when you travel, how you travel, or whether you answer phone calls while travelling?

4) Not a contrived arrangement

Only the ATO would feel the need to state it, but if you artificially contrive your arrangements and contracts to make private travel look like work travel, it will be denied.

Practical Interpretations

Following are some examples of how the above are applied in the real world.

Home to Work Travel

Generally not claimable because it is before (or after) your working hours. It doesn't matter that you have to get to work to earn money – it's not claimable.

This also applies if you have shifting places of work or are required to work out of different stores or offices.

Special Demands Travel

If you are required to travel to somewhere that is not a regular place of work, then you may be eligible to claim the travel to and from home.

For example, a consultant asked to travel interstate by his employer can claim the associated travel costs.

Relocating

Relocating for work is generally not claimable because it is preliminary to work, plus it is related to a personal choice of where to live (yes, you need to live close to work in order to get there daily, but that's not a relevant factor in the eyes of our Law).



Meals and Incidental Costs

It's often thought that meals and incidentals consumed while on deductible travel are also deductible. It's not that simple.

The ATO require the following to be satisfied:

1) Travel is deductible

Yes, it's a pre-requisite that the associated travel costs of that trip are tax deductible (or would be if personally paid).

2) Overnight stay

To claim meals and incidentals (and the accommodation) you must be required by work to stay overnight away from home.

Choosing to stay closer to work for convenience does not make the travel deductible.

3) Not a relocation

This one is pretty self-explanatory and covered earlier.

4) Not "living away from home"

A difficult concept to understand. If you are staying away from home, aren't you "living away from home"?



Not under our tax laws.

In short, if you are travelling for work you generally return home at every opportunity (i.e. weekends if you are interstate etc). This travel is deductible.

You are living away from home if you take up a more permanent residence and stay there for extended periods (with the intention of returning to your home at the end of the deployment). This travel is not deductible.

5) Other permanent home

And finally, you must have a permanent home elsewhere. This is mainly to prevent those that don't have a fixed address from claiming travel deductions for expenses that they would incur anyway.

Substantiation

There is misinformation going around about your requirements to keep records in relation to travel.

We'll make it easy – keep records of all travel expenses.

There are circumstances where the ATO allow a claim up to a limit without substantiation, but the scope of these are much narrower than most people realise.

And even if you are within the scope outlined, the ATO concessions still require you to somehow prove you incurred a cost, and how much that was. How do you do that without records?

Play it safe, keep records.

UPDATED TERMS

We have recently updated a few of our terms and conditions. Links to updated versions are below:

[Standard Terms](#)

[Invoicing and Debtors Policy](#)

[SMSF Regular Processing](#) (previously called Fixed Fee)

[Company Secretarial Fees](#)



Quick Summary of Changes

We have better specified that we on-charge 3rd party fees that we incur when performing our duties (such as fees incurred by us in purchasing trust deeds).

The most notable change will be in relation to postage – where you provide us with bulky documentation we will

add a postage fee for the return of those unless you let us know you will pick those up.

After two and a half years we've had to raise the prices of our SMSF solutions, particularly with increased ATO requirements. We've also simplified the plans.

Our annual company secretarial fees have had a makeover, introducing a new "premium" level. Historically we have processed unlimited ASIC forms for one fee, but this is unsustainable. Instead of raising the price for everyone, we decided to limit the number of forms included in our standard price. Our standard fee of \$275 has been unchanged for over 15 years.

OUR STRATEGIC PARTNERS

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

Thankyou to those of you that have provided us with recommendations for future partners, and we are always on the lookout for businesses to partner with that will benefit our client base – so keep the suggestions coming!!

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

SUPERANNUATION INVESTMENT OPTIONS

Research done by Rice Warner has shown that 85% of industry fund members do not elect an investment choice (and instead are in the default option).



This is staggering.

These funds have many options – normally classified by risk – and making a choice can make a large difference to the end figure that you retire with.

We've all seen the TV ad – two people with the same job, same salary, same starting balance, ending up with different outcomes. Making a choice away from the default investment option can have that same effect too.

Which Option is Right for You?

Don't simply pick the "high growth" option on the basis that you'll earn more money. High growth also means high risk.

You need to select the investment profile that matches your tolerance for risk, the time-frame of the investment (i.e. when will you retire), and the amount of money you need to retire on.



For example, a 50 year old with \$1mil in super may opt for a more conservative investment option because they want to protect the capital they have. Compare this to a 25 year old who may wish to be aggressive for 5 years in the knowledge that they have another 30 years of working to recover any losses.

A financial planner can help you make this assessment.

How MCA Can Help

Full Financial Planning

Michele Hird is a fully qualified financial planner and has authority to offer full financial planning services.

Partial Financial Planning

We can also do “scoped” planning for you. This means that we limit what we do to only the particular items you require (for example, only a risk profile so you can pick an investment option within your current super fund).

Assistance with Robo-Advice

There are also a good number of “robo-advice” tools available. Basically these are web based tools that simulate the questions financial planners ask, and use calculations and algorithms to provide an answer that is similar to what you would get from a “real person”.

We are developing a service where we assist you using these tools to get similar quality answers to those from a financial planner – at a fraction of the cost.

If you want a free no obligation chat about your options, just give us a call.

Self Managed Superannuation Funds

In a SMSF, you are responsible for selecting the investments so ticking a “high growth” box doesn’t work.

We have [this brochure](#) available to assist you in understanding what options you have available to you.

NEW SMSF REPORTING REQUIREMENTS

Following recent changes to superannuation, the Government has decided that to help monitor compliance all superannuation funds (which includes SMSF’s) will be subject to increased reporting requirements.

Beginning 1 July, SMSF’s will be required to report quarterly (28 days after each quarter) whenever certain “events” occur in relation to your fund.

Do you process your own fund on a regular basis to enable you to comply with this new reporting requirement?

We have regular processing solutions that are cost effective, require minimal input from you, will give you regular updates on the performance of your super, and will help you comply with these requirements.

If you are interested in our regular processing solutions, you can check out our brochure [here](#) or give our office a call for more information.

MANAGING CASHFLOW (PART I)

The number one reason why businesses fail (particularly new businesses) is because of cashflow struggles.

A small bank balance can be a symptom of many things, such as:

- Long payment times from customers;
- Delays in getting work finalised and/or invoicing;
- Insufficient sales to cover overheads;
- Uncontrolled expenses;
- Personal drawings without consideration for future liabilities; and
- Many more.

It is widely recognised that a business needs enough cash reserves to cover 13 weeks of expenses to safeguard against failure.

How Do You Build Cash Reserves?

While too complex to cover completely in a simple newsletter article, there are some practical tips you can follow.

Start With Small Savings



Put aside a small percent of every invoice into a savings account (say 2%). You’ll find it easier to save small amounts regularly than to find a large amount when you need it.

BAS Obligations

Put aside your BAS obligations weekly. This money is not yours!! When you pay your staff weekly, you are also accruing tax obligations weekly, so why not “pay” them



weekly (into a savings account). Again, much easier to find smaller amounts on a regular basis.

Understand The Timing Shortfall

Understand the timing difference between when you pay for items and when you get paid for selling those items.

If you order stock on day 1, pay for it on day 15, sell it on day 40, invoice it on day 45, and finally get paid on day 70 – you have a cash shortage for 55 days!! How are you funding this??



Learn to manipulate this chain, for example:

- Can you negotiate longer terms with your suppliers?
- Do you have to stock everything or can you buy it only upon customer order?
- Can you arrange consignment stock?
- Do you offer prompt payment discounts?
- How often do you chase your outstanding debts?

If you are in a service industry (such as an accounting firm), also consider:

- How long does work stay as “in progress”? Can you focus your efforts on finishing these as opposed to starting new ones?
- Do you have processes to identify which jobs will need more information before they can be completed? Why would you spend time (i.e. money) working on jobs that are “doomed to fail” before they start (i.e. jobs you can’t finish)?

The smaller the time frame between when you pay your expenses and when you get paid by your customers is key to maintaining strong cashflow.

Reinvest Profits

Particularly early on, it’s important to keep some of the business profits in the business to fund its ongoing operations and keep a cash buffer in the business.

Resist the temptation to draw out all your profits.

Get Help

Put aside your ego - asking for help isn’t admitting failure (and even that’s not a bad thing).

Your business is your livelihood. Is it more important to protect your ego, or to run a successful business that allows you more financial security and freedom?

A phone call to your friendly accountant may achieve more than you think.

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](#)
- [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 Levy

The Medicare Levy is currently 2% and will rise to 2.5% on 1 July 2019.

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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