



INTRODUCTION

With the due date for most tax returns approaching fast (mid-May), now is a timely reminder that we operate on a first-in-first-out basis.

If you wait until April or May to send your info across, you will be at the bottom of the queue and you risk not getting done before the due date.

CORPORATE SECRETARIAL CHANGES

We have recently updated our corporate secretarial services and introduced a lower pricing bracket for annual direct debits.

You can see the details [on our website here](#).

If you wish to take advantage of the lower pricing for direct debits, just let our office know.

RECENT ATO ACTIVITY

Tax Debts to Affect Credit Scores



The Government is currently legislating rules that allow the ATO to report unpaid tax debts to various credit reporting agencies.

The proposal will apply to businesses only, and then only to those with debts over \$10,000 that are not actively trying to comply with their obligations (i.e. those that ignore the ATO calls, or frequently “forget” to pay).

The ATO will be required to give you 21 days notice prior to your debt details being passed on, and the notice will outline what steps you can take to prevent it occurring.

Even though these rules don’t apply just yet, it would be an idea to start getting your tax debts under control now.

SMSF Leasing Property to Relatives – a Big NO NO

Without re-hashing all the rules, Self Managed Superannuation Funds (SMSF’s) are generally not allowed to invest in assets that are used by the members or any related party. Business property is one of a limited number of exceptions.

One “clever” SMSF decided to try and get around the rules by using DomaCom – a “fractional property medium” that basically allows you to purchase a share of

a property with a number of related or un-related people.

In this case, the SMSF + a number of family members went through DomaCom to buy a property. This property was then leased to the daughter of one of the SMSF members.

Essentially DomaCom sets up a trust, has the trust hold the property, and the investors hold units in the trust. If you are looking to do something similar with only related parties, save yourself DomaCom’s fees and get your accountant to set up a trust for you.

The ATO got wind of the setup and it ended up in court.



The court saw straight through the trust setup and could see that essentially the SMSF was leasing property to a related party – even if the SMSF only owned part of the property.

The Bigger Picture

A breach of the relevant “related party” rules generally incur a fine and the ATO requires the investment to be undone, or at least rented to non-related parties.

But that’s the least of this fund’s worries. All super funds – self managed or not – have to be run for the “sole purpose of providing retirement benefits to its members”.

In this case, the courts conclusion was that the fund breached this rule because it obviously went out of its way to help a related party outside of super.

Breaches of this rule carry much harsher penalties.

If you want more info around the tight regulatory environment around SMSF’s, simply give us a call.

RECENT EMAIL ARTICLES

Below are the details of, and links to, all articles we emailed out clients since the last newsletter in case you missed them:

[Changes to the small business superannuation clearing house](#) – which is moving away from username and password login, and now requiring an AusKey or myGov account

[Have you done your tax return](#) – for those that are yet to send your tax return info in, now is the time



[New travel expenses brochure](#) – the ATO have updated the criteria they use to assess what travel is deductible, this is a must read

[Easy payment plans available](#) – we now offer as standard 2 month terms for those entering into a direct debit payment arrangement of 5 x fortnightly instalments.

BUTCHER OR DIETITIAN

Summarised beautifully in video form using the analogies of a butcher and a dietitian, the role of your advisor should be giving you the best advice for you, not the best advice for the advisor.

[View the short video on our website here](#)

When you see a financial planner, do you expect that they will suggest you invest in options that provide you the best return, or that provide the advisor the best commission?

Is yours a **butcher**, or a **dietitian**?



Research done by ASIC (the regulator of financial planners) on the Big 5 financial planning firms has found that in relation to the “products” (i.e. investment options) financial advisors are authorised to recommend:

- only 21% of the products are in-house (i.e. owned by the advisory firm; however
- 68% of their client’s funds were invested in these in-house products.

In other words, many financial advisors invest your money where they will receive the biggest benefit / kick-back / commission. They are **butchers**.

ASIC state that these issues are “*not limited to a few non-compliant advisers, or even a few non-compliant firms*” and the issues “*reflect broader systemic issues within the financial advice industry, driven by conflicts of interest relating to ownership and remuneration*”.

In a whopping 75% of cases, client’s had been switched away from an investment and into an in-house product when moving to a new financial planner.

If your financial planner is paid via commissions, there’s a good chance that your money is invested to maximise their payday, not yours.

We do not accept commissions from financial advice. If any “product” we recommend does pay a commission, we forward it to you. We are dietitians. To find out how we can help you, give us a call.

ACCOUNTING SOFTWARE HELP

We all know the feeling of struggling through something without really knowing what you’re doing. It’s tough and demoralising.

We are always available to provide you with assistance in getting the most from your accounting software. Sometimes a simple tip can save you hours every week.

Bank Rules

Newer accounting software will download your bank statements automatically (called bank feeds). By adding bank rules you can dramatically speed up the process of allocating these transactions.



A bank rule can be summarised very quickly with an example or two:

- If the bank description equals “Telstra Mobile”, then allocate the transaction to the Telephone account with GST.
- If the bank description contains “BP”, or “Coles Express”, or “Shell”, or “APCO”, or “Caltex”, then add to Motor Vehicle Fuel with GST.

Each software has an easy to use interface to create these rules – you don’t have to learn computer code.

Spend the time setting up the rules now and you will save hours each month in allocating transactions.

If you are interested in discovering the time savings that come with newer software packages, we are happy to help you access a demo, or even sit with you and show you how they work. Just give us a call.

General Help Locations

Below are the locations of some helpful resources.

Xero

<https://help.xero.com/au/>

<https://tv.xero.com/>

<https://www.xero.com/au/training/small-business/>

<https://vimeo.com/xerotv/albums>

QuickBooks Online

<https://community.intuit.com/quickbooks-online-au>



Reckon

<https://www.reckon.com/au/support/>

MYOB

<https://www.myob.com/au/support>

SINGLE TOUCH PAYROLL

From 1 July 2018, businesses with 20 or more employees will need to comply with what is called “single touch payroll”.

The Short Of It

Basically, the ATO is forcing businesses to report their payroll figures to them as employees are paid (i.e. weekly / fortnightly / monthly).



This is done by creating a standard data format which will be adopted by all payroll software. When you push “process” in your software, not only will it create pay-slips, but it will report it all the ATO (hence the terms “single touch payroll”).

Is It Mandatory?

Yes, if you have 20 or more employees (done by headcount on 1 April 2018). If you don't use compliant payroll software at the moment, you will need to find one.

If you have less than 20 employees, it is optional for now (but we suggest not for long).

With all the extra regulation around payroll & superannuation, have you considered outsourcing this part of your admin? MCA can look after your payroll for you – simply call us to learn more

My Payroll Software Doesn't Do It

It might not just yet, but any payroll or accounting software worth it's salt will have it implemented by 1 July – so start by contacting them before you panic.

If their response is that they won't support it, then you will need to start looking around.

If you need help finding software that will fill your needs, simply give us a call.

Why?

Other than the ATO being able to watch over you...

- The concept will be developed further and allow employers to pay PAYG Withholding and Superannuation at the same time as they pay wages;
- Filling out BAS's will be easier because that info has already been reported to the ATO and will be pre-filled on your BAS;
- Other payroll functions (group certificates, TFN declarations) will be further automated and electronic; and
- Employees will be able to access real-time information on their wages and superannuation via their MyGov login.

You can read more on the ATO website at www.ato.gov.au/singletouchpayroll

OUR STRATEGIC PARTNERS

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

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 II)

The number one reason why businesses fail (particularly new businesses) is because of cashflow struggles. [Last newsletter](#) we outlined how to build a cash reserve, this time we focus on a few things to by wary of.

Other Things To Watch

Personal Drawings

Let's face it, one of the main reasons why you start a business is to gain some more financial freedom. Why shouldn't you draw some extra out of the business when there's money in the bank?

Go for it... but only when you are sure you can cover your business expenses and that you have taken into account any extra taxes payable.

Also important is that you closely monitor your drawings and don't use the company card as a second personal one.

We had a client come to us a couple of years ago complaining about their previous accountant and how their business never has money but they pay a lot of tax. Our first suggestion to them was that they probably have significant drawings, and essentially it is this that they are paying tax on.

They denied that suggestion and we did an analysis of their expenses while doing their tax returns.

The result? There was around \$100,000 of drawings in that year (over and above their wages)!!



The business card was used as an extension of their own, and because of this they lost complete track of how much they were drawing from their business.

Budget and Monitor

We all know that we should do a budget and monitor that budget against actuals. Still, not many of us do it.

If you do these, you can plan your expenses, know when you can take that little bit extra personally, and ensure that you keep on top of your costs.

Cash vs Profit

Many people rely on their bank balance to tell them how the business is going, but cash is often a poor indication of true performance (or potential).

GST for example is collected on every sale your business does and you are liable to pay it to the ATO – but you may not actually pay it for 3 (or sometimes 12) months. According to your bank account you're a star, but I bet your profit/loss doesn't say the same because this will take into account amounts payable.

Alternatively, if you have high debtor days then your bank balance may be low now, but realistically that may not be truly representative of how you are going.

There are many factors that effect this cash vs profit relationship.

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.

KEEPING DEBTORS IN CHECK

A key to good cashflow is having your invoices paid on time – the longer your customers take to pay, the more of your working capital you have to fund elsewhere.

The new breed of solutions largely automate a good part of the collection process by automatically sending reminders when “targets” are met (i.e. overdue x days).

There are a large number of solutions out there, and the key is to find one that integrates with your invoicing / accounting software (and yours can't, you should consider changing accounting software).

We use [Aprium](#) internally, and we also suggest you have a look at [EC Credit Control](#) as a starting point.

ELECTRONIC PAYMENTS UPGRADE

Thanks to a billion-dollar infrastructure upgrade of Australia's payments systems, customers of the “Big Four” banks and 50 smaller institutions will be able to benefit from the arrival of real-time funds transfers between accounts.





Real Time Payments

We've waited a long time, but this upgrade means that real-time payments are here. Between different institutions, weekends, public holidays, or middle of the night – the funds should appear in real time (provided they are sent using the new systems – keep reading).

More Detail in Internet Banking

Current limits on the amount of detail you can send with your payment will be greatly expanded. The ability to attach files (such as a copy of the invoice you are paying) is an example of the greater capabilities.

PayID



To utilise the new payments platform that enables real time payments, you will need a "PayID". This is basically an easy to remember "pointer" as a substitute for your BSB & Account number – your customers just have to pay "yourpayid" and the system will send payment to the bank account that you've allocated to that PayID. Your PayID might be your email address for example.

Have you ever paid money to the wrong account accidentally? As you enter the PayID of the person you are paying into your internet banking, the identity of the person or business will be displayed. This will enable you to check that you have the right details before you push send.

Your bank will contact you about setting up a PayID if it hasn't already. Remember – your bank will never ask for sensitive information via email (or by clicking a link in an email), so be wary of scammers.

If you type "PayID" into Google, you will find most banks have some info available for you.

For more information, head to:

- www.nppa.com.au;
- www.payid.com.au;
- www.osko.com.au

BITCOIN

There has been plenty of press coverage on bitcoin, but what are the tax consequences if you decide to join the craze? Well, that depends on how you are using Bitcoin.

What is Bitcoin?

Bitcoin is the term for a type of cryptocurrency, a digital currency, created in 2009. Bitcoin currency transactions

are entered on a peer-networked ledger – called the blockchain – agreed at the same time by multiple hosts. Balances are created and kept using public and private "keys" (long strings of numbers and letters linked through mathematical encryption algorithms).

The public key serves as an address to which others may send bitcoin, rather like a bank account number. The private key, which is like an ATM PIN number, is meant to be kept secret and is used to authorise bitcoin transmissions.

Is Bitcoin "Money"?



Short answer, no. And its because of this that we have strange and complicated tax implications for using Bitcoin.

A Bitcoin is a capital asset, like a car, a house, etc. When you dispose of a house you have to consider the capital gains rules – the same applies here.

Income Tax Implications of Bitcoin

There are three different scenarios:

- If you are "in the business" of using Bitcoin;
- If you are not; and
- If you mine Bitcoin

"In the business" of acquiring Bitcoin

If you are a regular user, bitcoin won't be seen as an investment, it will be seen as something closer to stock – when you make a profit on bitcoin, it is taxable.

To use our "house" analogy again. If you brought and sold houses on a regular basis the ATO would suggest that you are "in the business" of selling houses and would essentially seek to tax you on it as if you were running a business – i.e. you don't get access to the capital gains concessions.

You are "in the business" of acquiring Bitcoin if you are a regular user of it. "Regular" is a subjective assessment and not one we can fully explain here – suffice to say that if you use it on any sort of regular basis, seek professional advice.

Bitcoin as an Investment

If you are not in the business of trading Bitcoin, then you are an "investor" in Bitcoin and similar rules apply than those to the purchase of shares.



Bitcoin will be a capital asset, but importantly is classified as a “personal” asset. As such, any purchase of Bitcoins under \$10,000 will not attract tax when sold.

Conversely, the cost of purchasing Bitcoin is not tax deductible – similar to any investment you buy.

Where the cost is over \$10k, you will pay tax on the profit subject to the normal CGT rules (including the availability of the 50% discount).

Bitcoin Mining

If we use a money analogy, Bitcoin is made (or “printed”) by people “mining” it. This is done by solving complex computerised puzzles to essentially discover Bitcoin, which you can then sell.



If you mine bitcoin on an irregular basis, then it should be a capital asset and subject to the “Bitcoin as an investment” rules above. If you do it more regularly, then you may be “in the business” and have those tax outcomes.

GST Implications of Bitcoin

There are two sets of rules to keep in mind.

From 1 July 2018

Sales and purchases of Bitcoin will not attract GST. Simple, and if you stopped reading here we couldn’t blame you.

Prior to 1 July 2018

As of right now however, GST applies to the sale of Bitcoin if you are running an enterprise. GST has a concept of “enterprise” in it that is loosely similar to a business, but not quite.

Imagine a scale from 1 to 10 which depicts level of activity. 1 being you almost never perform it, 10 being always.

If we say you need to be doing something regularly enough to be a 7 on the scale before you are classed as a business, then you need to be a 4 to be classed an enterprise.

In other words, it’s easier to satisfy the definition of enterprise than it is business. As such, you can be a “personal” investor for income tax purposes, but an “enterprise” for GST purposes.

Again, if you use Bitcoin on any sort of regular basis, seek professional advice.

In short, there will be no GST consequences for you where the bitcoin transaction is not part of an enterprise.

There are two “types” of enterprises to consider here:

- 1) If you use Bitcoin regularly enough for the Bitcoin alone to be an enterprise (e.g. you are in the business of trading Bitcoin); and*
- 2) If you are running a business of your own (lets say a retail shop), are registered for GST, and use Bitcoin as a payment method – then you are using Bitcoin in your existing enterprise.*

If you are running an enterprise, then you will be required to charge GST on the sale of your Bitcoin until 1 July 2018.

Unsure? Need more information?

Whether or not you are carrying on a business or making a supply in furtherance of an enterprise could be contentious, especially in cases where large numbers of trades and/or sums of bitcoin are involved.

To ensure that you stay on the right side of the tax man contact us today.

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](#)
- [SMSF regular processing solution](#)
- [Fixed fee bookkeeping](#)

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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