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COMBINING ACCOUNTING & WEALTH MANAGEMENT

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Practice Update

Please read this update and contact this office if you have any queries

MARCH - APRIL 2014

New ML Partners Team Member

Nicole Tennant joined the team in Ayr on the 24th February. Nicole is a trainee accountant who is currently completing her Bachelor of Commerce degree. Welcome Nicole!



For example, the repeal Bill stipulates that from 1 January 2014, the threshold for an immediate deduction for assets purchased by small business entities would reduce from \$6,500 to \$1,000. With the Bill stuck in the Senate until at least July this year, it's difficult to know whether the 1 January date will be changed.

The best anyone can do at present is take a conservative view that the concessions will be repealed in line with the current Bill.

Change in the FBT Rate – 2014/15

FBT Rate – 2013/14 & 2014/15

The FBT rate of tax has been increased by half a percent from 1 April 2014. The new rate of tax and the consequent increased gross-up rates follow:

FBT Year Ended	Rate of Tax
31 March 2015	47.0%
31 March 2014	46.5%

Gross-up Rates – 2013/14 & 2014/15

Description	Gross-up Rate	
	2013/14	2014/15
Type 1	2.0647	2.0802
Type 2	1.8692	1.8868

Last Date for Lodgement of 2012/13 Tax Returns

If you haven't already done so, please make sure you bring in your 2013 tax records ASAP! The last date for lodgement of most 2013 Tax Returns is **15th May 2014**. After this date, late lodgement penalties will apply. Please consider that we need time to prepare your returns. Don't leave it to the last minute.

Senate Leaves Small Business in Limbo

When the mining tax (Minerals Resource Rent Tax) was introduced, a bundle of small business concessions were funded by it including the loss carry back rules and generous depreciation concessions. In March, the Senate rejected the Bill repealing the mining tax and the associated concessions leaving small business in limbo.

With the increase in the FBT rate to 47% from 1 April 2014, it's important that employers immediately adjust their salary sacrifice arrangements with their employees. If you need a hand with this, please call our office.

Small Business Panel to Boost ATO's Expertise

Editor: The ATO has issued a media release in relation to a new small business consultancy panel. As positions on the panel are paid, some clients may wish to consider applying.

The ATO is inviting Australia's small business owners to apply to join its new 'small business consultation panel' to help cut red tape and boost the ATO's small business expertise.

The consultation panel will bring together small business operators with:

- at least two years' experience running a business; and
- an annual turnover of less than \$2 million.

Note that taxation, consulting or accounting experience is not necessary.

ATO Second Commissioner Neil Olesen said: "We encourage small business owners from a range of industries to apply to join the panel so they can help shape the future of how the ATO and other government agencies interact with small business.

"Our objective for the panel is to explore opportunities to reduce the time it takes for business operators to comply with their employer, super and tax obligations so they can get back to the important job of running their small business."

Business operators joining the panel may be contracted on a short-term, as-needs basis to participate in consultation activities (including workshops and user testing) to provide feedback from a small business perspective.

Successful applicants will be paid for their services.

Interested small business operators should email smallbusinessconsultation@ato.gov.au to request an information and application pack, or download the information from www.tenders.gov.au (search for ATM 14.008a).

Why We Must All Exercise Great Care with Super at Year End

This case involves a taxpayer being penalised with excess contributions tax (ECT) because payments that his bookkeeper was supposed to make in the 2009 and 2011 years inadvertently all ended up in the 2010 year

The taxpayer was the sole director of his company and a member of a superannuation fund with AMP Life Limited.

On **30 June 2009**, his bookkeeper made two payments by Bpay to his AMP account, one salary sacrifice payment of \$30,000 and an employer contribution of \$8,499 for the 2008/09 year.

However, each of the two payments was received by AMP and applied to the taxpayer's AMP account on **1 July 2009**.

On **27 May 2010**, the bookkeeper made a payment of \$13,970.66 as a salary sacrifice payment to his AMP account. This payment was incorrectly paid several weeks early as it was meant to be paid in **July 2010**.

In September 2011, the Commissioner issued a notice of assessment for ECT of \$16,905.20 in respect of excess concessional contributions of \$53,667.42 for the year ended 30 June 2010.

Long story short – the taxpayer objected, was knocked back, and then appealed to the Federal Court. Basically, the Judge disallowed the appeal saying that, as the taxpayer was in a position to supervise and control the actions of the bookkeeper, he was responsible for the mistakes that she had made.

SMSF Trustees May Soon be Fined for Breaches by their Fund

Newly enacted legislation will apply to impose penalties on trustees for contraventions occurring in their super fund from 1 July 2014.

They will also apply to contraventions that were made prior to 1 July 2014 and continue after that date.

For example, if a fund has lent money to a member or relative and the loan still exists on or after 1 July 2014, the trustee will be liable for a penalty.

Under the measures, penalties will vary according to the type of breach. In the example above:

- Each individual trustee would be personally liable for a penalty of \$10,200.
- For an SMSF with a corporate trustee, each director would be jointly and severally liable for a penalty of \$10,200.

The penalty cannot be paid using the resources of the SMSF.

The ATO says that if trustees are making progress in resolving contravention(s) by 1 July 2014, it would consider these circumstances in any request to remit any imposed administrative penalties.

Super Caps Increased For 2014/15

The ATO has announced the following changes to the superannuation contributions caps.

Concessional Contributions Cap

These include:

- employer contributions (including those under a salary sacrifice arrangement); and
- personal contributions claimed as a tax deduction by a self-employed person.

The amount of the cap will be increased from \$25,000 in 2013/14 to \$30,000 in 2014/15.

Non-Concessional Contributions Cap

Non-concessional contributions include personal contributions for which taxpayers do not claim an income tax deduction.

The amount of the cap will be increased from \$150,000 in 2013/14 to \$180,000 in 2014/15.

High Risk Industries Targeted for Super Obligations

The ATO has identified that employers in the following industries have a higher risk of not meeting their super obligations:

- hairdressing and beauty;
- clothing retailing; and
- management advice and consulting.

The ATO is currently running an education campaign for business owners in these industries to help them better understand their super obligations.

Further, from July 2014, it will be undertaking audits of employers who continue to not meet super obligations for their employees – including:

- paying their minimum super contributions quarterly (or lodging an SGC statement);
 - offering employees (and some contractors) a choice of fund;
 - keeping accurate records; and
 - passing on an employee's TFN to their super fund as required.
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Contractor/Council Data Matching Program

The ATO has advised that it will acquire details of approximately 20,500 individuals providing contractor services to local government authorities in the 2010/11 and 2011/12 financial years from various local government Council and Shire authorities throughout:

- Queensland;
- Tasmania;
- New South Wales; and
- Victoria.

These will be electronically matched with certain sections of ATO data holdings to identify non-compliance with lodgement and payment obligations under taxation law.

The ATO, TFNs and Australia Post

The ATO has announced that red tape affecting Tax File Number (TFN) applications has been removed thanks to a partnership between the ATO and Australia Post.

TFN applications are now simpler and easier, as they can now be applied for online at www.ato.gov.au/TFNapply and a printout of the application summary can then be verified at one of the 460-odd Australia Post retail outlets throughout the country.

Additional services also now available at Australia Post include updating a date of birth on a taxpayer's ATO record and providing notification of a deceased person.

Parents and guardians can also apply for a TFN on behalf of their children.

Phase out of Paper Activity Statements

From 1 July 2014, the ATO will no longer be issuing paper activity statements **if the previous statement has been lodged electronically**. There will be a few exclusions, for example the change will not include the following form types as these forms are currently only despatched via the paper channel:

BAS **Q** – Annual GST report

BAS **R** – Quarterly PAYG instalment notice

BAS **S** – Quarterly GST instalment notice

BAS **T** – Quarterly GST and PAYG instalment notice.

Notifications regarding issue of activity statements will now be via email for those affected. So please make sure the ATO have your correct email address if you lodge your own activity statements.

For those Activity Statements prepared by ML Partners, we will be ensuring that our email address is added to the client record, so that we are notified when the activity statement is available.

Singapore Symposium

Recently Peter McKaig and John Licciardello travelled to Singapore as part of Futuro's (our Financial Planning Licensee) annual Symposium which was being run in conjunction with other AMP dealer groups.

The conference provided Peter and John with technical updates on Superannuation, Investment and Risk Insurance as well as market updates in particular opportunities in the Asian Region. Singapore was the perfect Country to host such an event as it is the central business hub for the greater Asian region.

Of course apart from the professional benefits of such a conference there was some time for enjoying the local culture and sights.



Marina Bay Sands, Singapore

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.
