DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **summer 2019**

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ENSURE YOUR TAX DEDUCTION FOR PAYMENTS TO WORKERS

From the 2020 income tax year, an employer must comply with all PAYG withholding obligations or the income tax deduction will be denied.

In order to claim an income tax deduction for payments to workers, the following conditions must be satisfied:

- Withhold the required amount prior to payment to the worker
- Report the PAYG withholding amount to the ATO

If an employer makes a mistake with a PAYG withholding amount, it must be corrected as soon as possible. An employer will not lose a tax deduction if they voluntarily correct a mistake prior to the commencement of any ATO compliance activity.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the second quarter of the 2019-20 income year.

The GIC annual rate for October – December 2019 is 7.98% and the SIC rate is 3.98%.

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SIMON
Bragg
Principal

GREAT PEOPLE THAT
KNOW & UNDERSTAND
ALL LEVELS OF
BUSINESS & FINANCE

We make it happen!

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ELECTRONIC LODGEMENTS OVER CHRISTMAS BREAK

All ATO online portals including Business Portal, ATO Online Services and Small Business Superannuation Clearing House will be unavailable after 6:15pm on Tuesday 24 December due to annual upgrades. The portals will remain offline until Thursday 2 January 2020. Therefore, if any Activity Statements, Income Tax Returns or other ATO Reporting is required, please ensure it is lodged prior to 24 December.

Organisations may still lodge Single Touch Payroll reports during this period, however the information will not be processed by the ATO until 2 January 2020.

ACTIVITY STATEMENT FINANCIAL PROCESSING (ASFP)

The ATO is upgrading its accounting system that processes Activity Statement and Franking Deficits Tax Accounts into a single system. The upgrade will improve the visibility of activity statement information and will be active from 2 January 2020.

The new system will also enable direct debit payment plans to be setup automatically via an ATO online portal. Additionally, any Director Penalty Notices for PAYG or Superannuation will be visible on the Directors personal account.

If you need any assistance with ATO online services, please contact us today.

GET YOUR MYGOVID & RAM NOW

A reminder that the AusKey system is being retired in April 2020. The new identification products are myGovID and RAM which are now up and running, so register under the new system today.

- myGovID – is a secure proof of identity app stored on your phone and can be used to access online government services for both business and personal matters
- RELATIONSHIP AUTHORISATION MANAGER (RAM) – allows you to link a myGovID an Australian Business Number (ABN). It lets you manage who can act on behalf of your organisation online.

The AUSkey system can still be used during the transition period to myGovID and RAM.

LIMITED DEDUCTIONS ON HOLDING VACANT LAND

From 1 July 2019, the tax law relating to claiming income tax deductions for the holding costs of vacant land (interest, land tax, rates and maintenance) has been amended. The changes limit the deductions even if land was held prior to 1 July 2019. Land is considered vacant if it has no permanent and substantial structure.

The limit on deductions do not apply to corporate entities, land used in carrying on a business or land used in primary production.

MISSED THE SINGLE TOUCH PAYROLL START DATE?

All employers were required to register for Single Touch Payroll (STP) and commence reporting wages to the ATO by 30 September. However, the ATO acknowledges that there are still many small employers who have not yet registered. There are three options if you are an employer and have not yet commenced STP.

OPTION 1 - Commence using STP. This may require an upgrade to your existing accounting software system

OPTION 2 – If a business is a micro employer with 1-4 employees, it can elect for a registered agent to lodge the STP report once a quarter.

OPTION 3 – Ask the ATO for more time and explain circumstances of your business, such as location or inability to access services.

Note that if a business only has closely held employees, it can automatically defer registration for STP until 1 July 2020.

SALARY SACRIFICE ARRANGEMENTS INVOLVING SUPER

From 1 July 2020 an employer must calculate their superannuation guarantee obligations (currently 9.5%) on an employee's earnings base before any salary sacrifice superannuation amounts are taken into account. Previously, employers were able to reduce their superannuation guarantee obligations by multiplying 9.5% on the post salary sacrifice earnings base.

SMALL BUSINESS TAX GAP

The Australian Taxation Office has renewed its focus on the black economy as it estimates that 90% of small business tax obligations are paid voluntarily. The 10% tax gap is estimated as being over $11 billion.

The ATO has scheduled area visits to Bankstown NSW, Bega NSW, Frankston VIC and Croydon VIC, in response to black economy warning signs. The ATO is also receiving 230 tip offs a day to the Tax Integrity Centre as taxpayers want all members of the economy to pay their share.

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TAX DEFERRALS DUE TO BUSHFIRES

The ATO has granted taxpayers who have been impacted by the recent bushfires in New South Wales and Southern Queensland a two month lodgement and payment deferral.

If you are located in one of the specified 16 local government areas directly impacted by the fire season already, the deferral has been automatically granted. If you are in an area that becomes affected over the bushfire season, then deferrals may also be applied there.

FINANCE ARTICLE TO FIX OR NOT TO FIX?

With interest rates at their lowest level for some time and with most lenders 1 to 3 years fixed interest rates now being lower than the banks variable interest rate, many clients are asking the question: Do we fix our loan or is it better to have a variable rate?

WHICH LOAN IS RIGHT?

That all depends on your circumstances. Variable and Fixed Loans have both advantages and disadvantages, so it's imperative to consider those. Split Loans combine features of both variable and fixed allowing you to broaden your options.

VARIABLE LOANS

Advantages

- When the Reserve Bank or the market lowers interest rates, these savings will usually be passed on to you.
- You can make additional repayments without incurring a penalty, then have the option to redraw the funds at a later date.
- You have the option to split your loan so that it is both fixed and variable.
- Provides more flexibility than other types of loans.

Disadvantages

- When the reserve Bank or market increases rates, the interest rate on your loan will also increase – meaning you will pay more interest.

FIXED LOANS

Advantages

- During the fixed term, your repayment won't change making budgeting easier.
- During the fixed period, if interest rates go up your loan interest rate and repayments won't change.

Disadvantages

- Most fixed loans limit the flexibility of being able to make extra repayments, with most lenders allowing up to a maximum extra repayment amount each calendar year (without being charged a fee by the lender). You are not able to redraw the extra repayments during the fixed rate period.
- When market rates go down, the rate on your loan will remain the same so you won't have the benefit of potential savings.
- If you choose to exist or switch your loan during the fixed rate period, there may be early repayment or Break Costs.

How easy is it to switch all or split part of your loan to a fixed rate?

It's is as easy as ringing the bank or completing a loan switch form. Though there are many factors to be considered before making a change to your loan.

This is where we are able to help you by researching what is available and if making the change is the right solution for your situation, then we help make the process as smooth as possible.

WE TREAT OUR CLIENT'S BUSINESS AS IF IT WERE OUR BUSINESS

Talk to us about your business needs today.

If you're interested in finding out more about any accounting and business advice or support, we can make it happen.

Email DFK Collins on

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WE BUILD SUCCESSFUL LONG-TERM RELATIONSHIPS WITH OUR CLIENTS

We make it happen!

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DFK AUSTRALIA NEW ZEALAND FEATURE ARTICLE

INTRODUCING THE BUSINESS MODEL CANVAS – HOW TO CREATE A SUCCESSFUL BUSINESS MODEL

An excellent tool for evaluating your current business model and for exploring alternatives is the Business Model Canvas (BMC).

In summary, the Business Model Canvas is a strategic management template for developing new or documenting existing business models. It is a visual chart with elements describing your business' value proposition, infrastructure, customers, and finances. It assists in aligning your activities by illustrating potential trade-offs.

THE BUSINESS MODEL CANVAS WILL:

- MAP EXISTING BUSINESS MODELS
  – Visualize and communicate a simple story of your business model.
- DESIGN NEW BUSINESS MODELS
  – Use the canvas to explore new business models even for existing business.
- MANAGE A PORTFOLIO OF BUSINESS MODELS
  – Use the canvas to easily juggle between "Explore" and "Exploit" business models.

A major benefit of the BMC is its ability to essentially break down your business model and draw into various sectors. It enables the user to grasp and develop particular areas of a business, all while having it displayed on a one page document. It allows the user to work through the fundamental elements of a business or product, structuring an idea in a coherent way.

The BMC targets the key elements that harness a successful business model, with the right side of the BMC focused on the customer, and left side is focused on the infrastructure and categorizes the processes and internal activities of a business into nine separate categories.

NINE SEPARATE CATEGORIES

1. Value Proposition

- The key foundation to any business is your Value proposition, it is the fundamental concept of the exchange of value between your business and your customer/clients.

2. Customer Segments

- Customer Segmenting is the practice of dividing a customer base into groups of individuals, business' and industries that are similar in specific ways.

3. Customer Relationships

- Customer Relationships is defined as how a business interacts with its customers.

4. Channels

- Channels are the means you use to sell your products or services to your customers, how customers first come into contact with your product, and how your product ends up with the customer.

5. Key Activities

- The key activities are the strategic actions your team must undertake to make the business model work, and achieve the value proposition you have set out to achieve.

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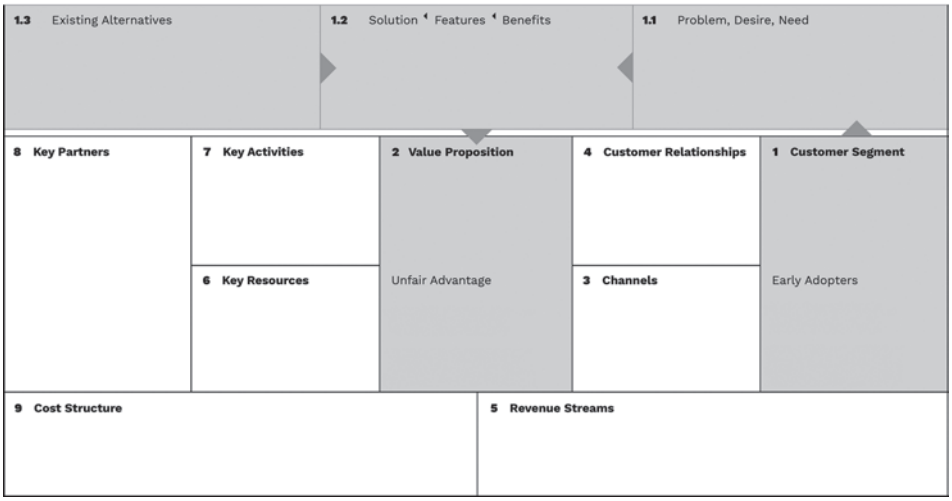
BUSINESS MODEL CANVAS MODEL: **EXAMPLE**



6. Key Resources

- These are the assets of the organization fundamental to how it provides value to its customers. Resources can be categorized as human, financial, physical and intellectual.

7. Key Partners

- Key partnerships are the network of suppliers and partners who complement each other in helping the company create its value proposition and perform its key activities.

8. Revenue Streams

- This area goes beyond the price of the product. It asks the question, how is the business generating its income and where is it coming from?

9. Cost Structure

- Cost Structure defines all the costs and expenses that your company will incur while operating your business model.

With the above elements in mind, it becomes apparent that the Business Model Canvas is designed to bring the finer details to light and help closely examine your value proposition and discover new and better ways to position your product of service to customers.

It exposes the opportunities that exist underneath your current business model and moves ideas from the 'in theory' stage and into the planning stage.

At DFKANZ, our advisors utilise the Business Model Canvas to really grasp the fundamentals that drive a business.

To learn more about how best to use a BMC for your business visit: URL tbc

For further assistance in analysing the details and visualising your business model, our dedicated advisors can assist in extracting the potential that your business holds.

You can download a BMC template by visiting – URL tbc

Talk to us about your business needs today.

If you're interested in finding out more about any accounting and business advice or support, we can make it happen.

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UPCOMING KEY DATES & DEADLINES

21 DECEMBER 2019	November 2019 Monthly Activity Statement due for lodgement and payment
25 DECEMBER 2019	Merry Christmas!
15 JANUARY 2020	Lodgement of 2019 Income Tax Returns for Large and Medium taxpayers
21 JANUARY 2020	December 2019 Monthly Activity Statement due for lodgement and payment for businesses over $10M turnover
21 JANUARY 2020	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group
28 JANUARY 2020	Superannuation Guarantee Contributions due for payment for October – December 2019 quarter
21 FEBRUARY 2020	December 2019 Monthly Activity Statement due for lodgement and payment for business under $10M turnover
21 FEBRUARY 2020	January 2020 Monthly Activity Statement due for lodgement and payment
28 FEBRUARY 2020	Lodgement and payment of 2019 Income Tax Returns for non-taxable large and medium entities
28 FEBRUARY 2020	Lodgement and payment of 2019 Income Tax Returns for new registrants who are large or medium entities
28 FEBRUARY 2020	Lodgement and payment of 2019 Income Tax Returns for new Self-Managed Superannuation Fund registrants
28 FEBRUARY 2020	October – December 2019 Business Activity Statement due for lodgement and payment
28 FEBRUARY 2020	Lodge and pay Annual GST Return if taxpayer does not have an Annual Income Tax Return requirement
21 MARCH 2020	February 2020 Monthly Activity Statement due for lodgement and payment
31 MARCH 2020	2019 Income Tax Return due for individuals and trusts whose latest return resulted in a $20,000 or greater tax liability
31 MARCH 2020	2019 Income Tax Return due for lodgement and payment for companies and super funds with a turnover of greater than $2M unless required to lodge earlier

FOR MORE INFORMATION & FUTURE NEWSLETTERS

For more information on anything contained in this bulletin please telephone or email to our details below.

DFK COLLINS – MELBOURNE

For further information or enquiries about any of the latest business and taxation topics discussed in this newsletter, please contact the Directors and team at DFK Collins.

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