CLIENT UPDATE

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Welcoming 2019

The AFS team at our annual Christmas party in December.

Advant economic update

Happy New Year to all our valued clients and friends! We wish you and your families a happy and prosperous 2019.

February is here and hopefully we see an end to January's record breaking heat across the country. There has also been a lot of heat on the global economic stage. The US shutdown may have ended but the trade war between the US and China continues.

There are also further signs the global economy is weakening. The World Bank predicts growth of 2.9% in 2019, down from 3.0% last year and 3.1% in 2017. China's economic growth slowed to 6.6% in 2018, the lowest in 28 years but still remarkably strong compared with developed economies.

In Australia, easing inflation also points to a slowing domestic economy. The Consumer Price Index (CPI) – the main inflation gauge - rose 0.5% in the December quarter but eased from 1.9% to 1.8% on an annual basis. One of the major price falls was petrol, down 2.5% over the quarter. According to the Australian Institute of Petroleum, the national average price for unleaded fuel fell 10.7% in 2018, although it crept up to six-week highs of $131.8c a litre in January. Despite lower prices, consumers and business remain cautious.

The Westpac/Melbourne Institute survey of consumer sentiment fell 4.7% in January to 99.6 points, a 16-month low. The NAB Business Confidence Index also dipped in December, from 3.4 points to a three year low of 2.8 points. Unemployment fell from 5.1% to 5.0% in December. The Aussie dollar jumped on the final day of the month to close at US72.7c, up from a January low of US68.7c.

Single Touch Payroll is nearly here

Single Touch Payroll will be compulsory for all employers from 1 July 2019. You need to be prepared. We will be hosting an information evening in April to explain these changes. Our cloud accounting software experts will be on hand to assist you with any questions you may have.

- **Wednesday 3 April**
- **5:30pm**
- **La Trobe Art Institute, View Street**

Book online now via: **stpinfo.eventbrite.com.au**

Attention employers: tax changes for company cars

Given the significant changes to how the Australian Taxation Office (ATO) is now assessing travel in utes, Fringe Benefits Tax (FBT) may now be applicable where it previously wasn't.

FBT is a tax employers pay on certain benefits provided to their employees, in addition to their salary.

If you provide a panel van, single or dual cab ute to your employees for their work duties, the tax often applies. However, private use of these vehicles can be exempt where it is minor, infrequent and irregular.

While this exemption has previously required thorough record keeping and a high degree of professional judgement, employers can now apply the newly released ATO guidance from 1 April 2019.

Under the new guidelines, private travel can be deemed to be minor, infrequent and irregular if:

- less than 1,000 kilometres are travelled in the FBT year
- a return journey does not exceed 200 kilometres.

In addition, any deviations made when travelling from home to work must be less than two kilometres.

What does it mean for employers?

Employers may need to implement an employee travel policy specifying that all private travel will adhere to the conditions above. Compliance with this policy should be confirmed by receiving an annual declaration from each employee, stating that they have complied with this policy. In addition, we recommend keeping a logbook for each vehicle.

This new guidance will not be applicable in all situations, including where the original purchase price of the vehicle exceeded the luxury car tax threshold. However, the minor, infrequent and irregular exemption may still be available for your employee's private travel.

Each case will be determined based on the frequency and circumstances of the private use. We recommend keeping a detailed logbook for your eligible vehicles and recording details of each trip to justify where the exemption was claimed.

If you have any questions regarding how the minor, infrequent and irregular exemption may apply to your motor vehicles please contact Michael Trimble, Accountant at AFS on 03 5443 0344.

Tax rate reduced for SMEs

Small to medium businesses have had a small win, with company tax rates being reduced. In Australia, companies are subject to a federal tax rate of 30% on their taxable income. In 2016 the Government introduced a Bill that proposed to reduce the corporate tax rate for base rate entities*. The Bill received Royal Assent on 25 October 2018.

This means the company tax rate for base rate entities will now reduce to:

- 27.5% for the 2019–20 income year (as previously legislated)
- 26% for the 2020–21 income year
- 25% for the 2021–22 income year and for subsequent income years.

Eligible companies will pay 25% in 2021–2022, rather than from 2026–2027.

The new law also increases the small business income tax offset rate to 13% for 2020–2021.

The maximum available amount of the small business tax offset does not change – it will stay capped at $1,000 per person, per year.

**A "base rate entity" is a company that receives less than 80% of its taxable income from "passive" sources such as dividends, franking credits, interest, royalties and rent. For the 2017-18 income year the aggregated turnover threshold test for base rate entities is $25 million.*

GST reporting: common errors and how to correct them

The ATO reminds taxpayers to avoid the following common GST reporting errors:

- **transposition and calculation errors** – these mistakes often happen when manually entering amounts, so it's important to double-check all figures and calculations before submitting your Business Activity Statements (BAS)
- **no tax invoice/receipt** – you must keep tax invoices to be able to claim GST credits on business-related purchases
- **transaction classifications** – it's important to check what GST applies for each transaction; for example, transactions involving food may be GST applicable free
- **errors in accounting systems** – a system with one coding error can classify several transactions incorrectly.

We can assist you if you think you may be liable for any penalties or need to correct a GST reporting error. Call us on 03 5443 0344.

Tax and your website: what can you claim?

When running a website it can be difficult to determine what you can claim upfront as a tax deduction and what you need to depreciate over time. It's important to understand the tax implications if you are planning to launch a new website or refreshing an existing one.

Capital cost – can't immediately claim

If an expense relates to the initial development of the website, it's considered an expense capital in nature, so it can't be claimed for an immediate deduction.

Other costs you can't claim for immediate deduction include:

- changes to your website that improve the business' ability to make a profit
- costs incurred when migrating content from an old to a new website
- cost of securing the right to use a domain name.

It's important to check with us when it comes to any software you have developed in-house. For these expenses to be immediately deductible, it must be complex and seen as significantly improving your website.

Revenue cost – can immediately claim

Costs related to the running and usage of your website – such as operating and routine maintenance costs – are considered to be revenue in nature by the ATO.

Costs that you can claim immediate deductions in full for include:

- periodic domain name registration fees
- monthly hosting fees
- upgrading website software to appear correctly on new mobile devices, browsers and operating systems
- Updating your website content with new articles, graphics or advertising.

Reprieve for small business

However, before you start combing through all your website expenses to try and work out whether you can claim them upfront, it's worth noting there is a reprieve for smaller businesses.

Under the government's popular $25,000 instant asset write-off concession, the business portion of website capital expenses can be written off immediately, rather than depreciated over five years.

This means if you are a small business and do not have large website costs, you can avoid the problem of working out what is and is not deductible.

For more details read the full article online at **www.afsbendigo.com.au/tax-website-can-claim**

Unknown future for luxury car tax

Motor vehicle companies are predicting the Luxury Car Tax (LCT) will be abolished within the next two to three years, making a number of cars on the Australian market more affordable.

The LCT was introduced almost 20 years ago to protect Australia's vehicle manufacturing industry. It was designed to encourage new car buyers to purchase Australian made vehicles such as Ford Falcon, Holden Commodore and Toyota Camry.

What is it?

The LCT is a tax on cars costing over $66,331 with a fuel consumption of more than 7.0L/100kms, or fuel efficient cars (under 7.0L/100kms) worth more than $75,526. All utes are exempt from the tax as they are classed as a commercial vehicle.

The LCT is 33% of the amount above the threshold.

With car manufacturing ceased in Australia, there is no longer a need to dissuade people from buying European cars in favour of Australian made, which has led to calls for it to be abolished.

How will it impact you?

The abolishment of the LCT will make a number of cars more affordable. It will increase demand for some dealerships and overall competition, and bring down the price of luxury cars for consumers.

If you would like more information on the tax and the potential changes please call Dennis Barnett, Business Services Partner on 03 5443 0344.

Residential rental property travel expenses: ATO guidance

Since 1 July 2017, individuals, self managed super funds, private trusts and partnerships have not been permitted to claim non-business travel costs connected to residential rental properties as a tax deduction. These costs also cannot form part of the cost base or reduced cost base of a capital gains tax asset.

The ATO has released new guidance about this, including details about the legal meanings of "residential premises" and "carrying on a business".

Speak to us to find out more about the costs of maintaining your investment rental property and what you can deduct. Call 03 5443 0344.

Supporting our community

This quarter we are raising funds for the Castlemaine Rouleurs relay cycling team through our casual cash initiative.

The team are competing in the Murray to Moyne (M2M) race, an event which raises funds for local hospitals.

This year there are 24 Castlemaine Rouleurs and 12 Castlemaniacs riding in the M2M on 6 -7 April raising much needed funds for Castlemaine Health.

"Since our Murray to Moyne riders began cycling in 1992, they've raised in excess of an incredible $598,000 for the hospital. The upgrades and improvements have benefited everyone who has needed our services, and those around them." Said Ian Fisher, CEO of Castlemaine Health.

Castlemaine Rouleurs' riders with our internal auditors from left to right: Ian Fisher, Lois Kent, Katie Dempster (AFS), Magnus Cochrane (AFS), Paul Kent and Bryan Maddern.

Farewell Henderson's Canvas & Manufacturing

We wish our long-time client Henderson's Canvas & Manufacturing all the best following the closing of its doors after 44 years in business. Max Henderson was one of Graeme Stewart's very first clients all those years ago. Enjoy 'proper' retirement Max!

Photo source: Bendigo Advertiser

Financial rules to live by in 2019

In 2019 you can choose to manage your finances in a way that lets you keep your head above water come what may.

Financial rule #1: Have an emergency fund

The advantages of a rainy day fund are both practical and psychological. If you do suffer an unexpected setback, you'll have a financial cushion to fall back on. Plus, knowing you have, three months worth (for example) of living expenses set aside will allow you to make unhurried, rational decisions.

Financial rule #2: Get the right insurance

Many Australians wouldn't dream of not insuring their home and vehicle, but when it comes to life insurance, only one third of adults are insured.

If you're not around, income protection, life, or Total and Permanent Disability Insurance can ensure you or your family can stay on top of mortgage payments, grocery bills and living expenses should the income from your job disappear.

Financial rule #3: Be smart about debt

When it comes to debt, it's important to understand the difference between the good, the bad and the ugly.

Good debt is used to create wealth, for example, borrowing to buy appreciating assets such as a house or investments. Acceptable debt is getting a car loan so you have the means to get to work. But credit cards, and services such as Afterpay and ZipPay typically facilitate bad debt.

Try to keep bad debts to a minimum, shop around for the best interest rate and repay what you owe as soon as possible.

Financial rule #4: Forge a positive economic partnership

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Money issues can be a major cause of tension in relationships if left unspoken. The 'Yours/Mine/Ours' method works well for many.

It involves each partner getting a set amount of money to do whatever they wish with. The trade-off is that both agree to direct the rest of their disposable income towards reaching mutually agreed goals. For example, paying off the mortgage within a certain number of years, making voluntary contributions to superannuation or building a share portfolio.

When it comes to creating economic security for you and your family, small changes in behaviour can make a big difference. If you'd like some help getting your finances in shape for the new year, please call us on 03 5434 7600.

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