COMMUNITY BANK
NEWS UPDATE

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AFS Partners in success
Chartered Accountants

Key industry insights for the Community Bank network

It has been a big year for Community Banks, with a number of factors affecting the banking industry.

The banking industry has seen an estimated revenue decline of 7.1% for the current financial year.

This is attributable to interest rates falling to a record low of 0.10%. Despite greater lending volumes, driven by an increase in the residential housing turnover, net interest margins have tightened.

The industry is facing some short term challenges, including the weak economy and slow moving capital expenditure by the private sector.

Profitability has also been affected due to:

- increased regulatory costs which have flowed from the Royal Commission
- higher capital requirements required by APRA
- significant credit impairment charges stemming from COVID-19.

In addition to the above the industry continues to see increased competition with the entry of neobanks (e.g. Bendigo Bank's 'Up') and emergence of fintech lenders like Afterpay.

In more positive news, the industry is projected to grow its revenue over the next five years, as the economy continues to recover from COVID-19. The RBA is anticipated to lift the cash rate as this improves, with many forecasts showing economic recovery could happen sooner than originally expected.

The digitalisation of banks has been at the forefront of the industry to assist with profitability, aimed to:

- ensure better service delivery to help with customer retention
- appeal to younger demographic and improve customer acquisition
- continue to create cost savings in future years
- increasing automation and reducing staff numbers.

Industry revenue is forecast to increase at an annualised 8.6% over the five years through to 2025-26.

AFS will continue to support our Community Bank clients through these changes and are here to assist now and into the future.

Josh Griffin

AFS Community Bank Partner

Industry information was sourced from the IBISWorld Industry report; National and Regional Commercial Banks in Australia, May 2021.

Dividend planning

AFS assist a number of Community Bank clients in ensuring their dividend payments comply with the *Corporations Act 2001* and are within the maximum distribution limit per the company's Franchise Agreement.

Our advice outlines the various dividend amounts available for your Community Bank including your franking options. The AFS Share Registry team also provide dividend payment services taking the stress out of the whole process.

We recommend performing this calculation from 30 June year-end figures. Please contact the team if you would like our assistance.

Stacey Lakey

Share Registry Manager

Meet the team

Stacey joined AFS at the beginning of 2021 in the Share Registry department, having previously worked for Bendigo & Adelaide Bank for 19 years.

Stacey thoroughly enjoys working with the Community Banks, maintaining the shareholder registers, liaising with Community Bank directors, branch staff and shareholders with a large focus on managing the conversion of share registers to the online facility AFS offers.

Her day to day also includes maintaining shareholder details, processing dividend payments, mail-outs to shareholders, monthly bank reconciliations of dividend accounts; and completing reporting requirements to the ATO and relevant State & Territory Revenue Offices.

Outside of work, Stacey enjoys caravan trips with her husband Chris and young family Milla, age 9 and Jack age 7, catching up with family and friends, trying to keep up on bike rides and watching any and every sport, particularly the Geelong Cats.

Superannuation minimum threshold to be scrapped

The Government announced in the 2021 Federal Budget that the $450 per month wage threshold for Superannuation Guarantee eligibility will be scrapped. From 1 July 2022, all Community Bank employees will be required to be paid superannuation, regardless of earnings.

This ruling applies to all Community Bank employees including Directors, administration staff or secretaries who are paid monthly or annual fees.

Bendigo Bank offers payroll services which can be utilised for all employees including the aforementioned. We recommend utilising this service to assist with ongoing payroll compliance.

We remind you the Superannuation Guarantee rate will increase from 9.5% to 10% as at 1 July 2021.

Budgeting for AASB 16: Leases

The introduction of AASB 16 has changed the landscape of lease accounting and these changes should be reflected in your budget.

Rent expense is now a thing of the past, having been replaced by right-of-use asset depreciation, lease liability interest expense and make-good interest expense.

When budgeting for these expenses you should ensure the amounts align to your current lease schedule. If you would like to know more or have your budget reviewed please contact Laura Flanagan, Audit Supervisor on 03 5443 0344.

BAS preparation - Tips for preparing GST on an accrual basis for MYOB users

When preparing the Business Activity Statement (BAS), it is common practice to enter GST on the BAS exactly per the tax collected and paid amounts shown in the GST [Summary - Accrual] Report.

However we would recommend an additional check is introduced to ensure what is being reported to the ATO is accurate. We recommend running a Tax Information Reconciliation [Summary] Report when preparing the BAS. This report compares the GST amounts within the GST [Summary - Accrual] Report to the GST accounts within the balance sheet and identities any variances between these two amounts.

Variances can be the result of the GST [Summary - Accrual] Report not recognising income and expenses being taken up through general journals without the use of tax codes or from back dated information being entered after the BAS had been prepared.

This extra small step can assist in ensuring the accuracy of your ATO reporting.

Selecting the appropriate tax code when entering transactions is also an important step to ensure GST is recorded accurately.

Please contact us if you would like assistance with your BAS reporting.

Time to review your depreciation schedule

With year-end audits approaching, it is important to review the depreciation schedule to ensure all listed assets and useful life estimates are still accurate.

We recommend reviewing your depreciation schedule annually to ensure any asset disposals are recognised, as well as ensuring the depreciation rates used are still reflective of the asset's remaining useful life. An asset's useful life is the expected time the asset will generate revenue and be of use to your business.