



DFK AUSTRALIA NEW ZEALAND BUSINESS & TAXATION BULLETIN

keeping you informed **spring 2017**

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WORK RELATED EXPENSES

The ATO is renewing its focus on individuals who have been over claiming work related expenses. In order to correctly claim a work related income tax deduction the following rules need to be satisfied:

- You must have spent the money and were not reimbursed
- Expenses must directly relate to earning taxable income and not be private in nature
- You must have a record to prove the expense

There are no 'standard deductions' for employees and receiving an allowance from an employer does not necessarily entitle the employee to a deduction. There are a few exceptions to the requirement for written evidence (eg. Cents per km method for vehicles) however there must be a reasonable basis for the calculations.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the first quarter of the 2017-18 income year.

The GIC annual rate for July – Sept 2017 is 8.73% and the SIC rate is 4.73%.

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SMALL BUSINESS INSTANT ASSET WRITE OFF

The small business instant asset write off for assets less than \$20,000 has been extended to 30 June 2018. For a business to qualify as a small business, the aggregated turnover must be less than \$10 million.

If a business wants to utilise the instant asset write off, they must comply with all other aspects of the simplified depreciation rules including:

- Write off assets costing less than \$20,000 each
- Pool most other depreciating assets that cost \$20,000 or more
- Write off the small business pool balance if it is less than \$20,000 at the end of an income year
- Only claim a deduction for the portion of the asset used for business

Depreciation of a small business pool is calculated at 15% in the first year and 30% in each subsequent year.

FUEL TAX CREDITS

The next 6 monthly rate change for fuel tax credits due to indexation commenced on 1 August 2017.

The fuel tax credit rates are changing regularly so it very important to keep good records to support your claim. For fuel used in heavy vehicles you are required to apply the applicable rate on the date you acquired the fuel.

SIMPLER BAS REPORTING

If you are a small business with GST turnover of less than \$10 million you are eligible for the simpler BAS reporting method for the next quarterly BAS.

The only items you are required to report on are:

- Total Sales
- GST on Sales
- GST on Purchases

If you would still like to complete the full BAS reporting, you may voluntarily do so.

KEEPING YOUR ABN DETAILS UP TO DATE

The ATO is often finding that businesses have not been updating their details on the Australian Business Register when their circumstances have changed.

A few house-keeping steps will help reduce unnecessary contact from the ATO:

- Cancel an ABN when a business is no longer in operation or the structure has changed to trade under a new entity
- Check authorised contact details. If a business only has one authorised contact, they cannot be removed until a new contact has been added.
- Register your trading names with ASIC. From 31 October 2018 if your trading name is not registered with ASIC it will not display under the ABN Lookup function.

To update any aspect of the Australian Business Register, this can be completed using your AusKey registration or asking one of our team to complete the update.

USE OF FUEL	TYPE OF FUEL	FROM 1 FEBRUARY 2017	FROM 1 AUGUST 2017
Vehicle greater than 4.5 tonnes GVM travelling on a public road	Petrol, diesel or blended fuels eg. E10	14.2 cents	14.5 cents
Specified off-road activities	Petrol, diesel or blended fuels	40.1 cents	40.3 cents
All other business uses including power to auxiliary equipment of a heavy vehicle	Petrol, diesel or blended fuels eg. E10	40.1 cents	40.3 cents
	LPG	13.1 cents	13.2 cents
	LNG or CNG	27.4 cents	27.6 cents

FEATURE ARTICLE

HAVE YOU PLANNED FOR 2018?

As many of us are stressed about closing off 2017 accounts as soon as possible, unfortunately plenty of small businesses don't ever stop and properly plan for the next year.

Now I know what some of you are thinking 'Of course I have a plan for next year! I've been thinking about it all the time. It's all in my head'.

To those people let's think about this:

- Have you put your strategic plan on paper so you can refer to it at all times when you have too much on your mind to remember?
- Have you discussed your plan with your business partner? Are they in agreement? (this is especially important if your business partner is your spouse!)
- Have you discussed your plan with your key management staff so they are aware of the direction the business is taking?

STRATEGIC PLANNING

Strategic planning is an absolute essential for any business no matter how big or small, because if you don't know the destination, your journey might lead you to nowhere!

Strategic planning is the process of defining the goals for the next year and then deciding the steps and resources required to achieve these goals. Spending time to put your plan onto paper is saying 'I am ready to take this business to the next stage of success'.

Strategic planning does not need to be a daunting task and for most small to medium businesses this process should take a ½ to 1 day to formulate. If you are unsure how to get started, here are some tips and tricks to use when preparing strategic plans.

1. KNOW YOUR VISION

Before you start any planning you should have a clear understanding of your vision for the business. For anyone who doesn't know what their vision is, ask yourself the question 'What is the purpose of my business?'. Your vision is one sentence that defines where you want to take the business over the long haul.

Examples include:

- Google's vision – To organise the world's information and make it universally accessible and useful.
- Facebook's vision – People use Facebook to stay connected with friends and family, to discover what's going on in the world, and to share and express what matters to them.

2. DISCUSS AND DEFINE YOUR OBJECTIVES AND GOALS

The first thing your plan will need are the objectives (or goals) you want to achieve over the next 12 months in order to be on track to achieve your vision. As these objectives are big targets for the whole year, you should keep your objectives to no more than three. This will mean that you will need to focus and prioritise which objectives need to be completed first.

Always ensure that your objectives are SMART objectives, which means they are Specific, Measureable, Action oriented, Realistic and Timely.

3. ORGANISE AND DELEGATE YOUR STRATEGIES AND TACTICS

Once your objectives are defined you will need to devise your strategy (how you achieve the objectives) and your tactics (what you do to achieve the objective). At this stage of the process its best to bring in your staff or key management for their input, since they will be executing the strategy and tactics.

Once you have worked out your strategy and tactics you need to delegate who will manage each one and also when they will be completed over the year (if you try to do everything at once nothing will get done!!)

4. KEEP YOUR STRATEGIC PLAN SHORT

If your plan goes for more than 1 ½ pages you are over doing it. Your plan should be something that is simple and easy for everyone to pick up and refer to whenever they need a reference point.

5. SEEK INDEPENDENT ADVICE

Finally, if you are unsure about what to do, seek some independent advice. Sometimes when you are deep in the thick of your business it's worthwhile to seek a fresh perspective on where the business is going and what opportunities lie ahead.

So by following these five keys steps you will be ready to take your business to the next stage of success!



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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We make it happen!

**A DYNAMIC ASSOCIATION OF
EXPERIENCED PROFESSIONALS**





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

We make it happen!



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FINANCE ARTICLE INTEREST ONLY LOANS

There has been significant changes in the Australian investment loan and interest-only loan market over the past 12 months.



THE FAMILY PLEDGE OPTION

The Australian Prudential Regulation Authority (APRA) – the prudential regulator of the Australian financial services industry – has been concerned about the strong growth of lending to property investors and interest-only borrowers for some time; particularly in Melbourne and Sydney. APRA is concerned that a downturn in property prices could lead to an increase in loan defaults so they want to see a higher proportion of principal and interest debt reduction in Lender portfolios.

The increase in investment lending has also influenced a large rise in interest-only loans; primarily for investment purposes but interest-only lending has also increased for owner occupied loans.

As a result, interest rates on investment and some owner occupied loans, in particular interest only and Line of Credit facilities, have increased across all lenders.

For simple home loans, the difference between Interest Only repayment rates and Principal and Interest repayment rates is already around 0.50% pa variable (the rate is higher for Interest Only).

There has also been a host of changes to lending policies; all driven by APRA and aimed at ensuring a sustainable growth in the home loan investment sector and improving the strength of Australia's financial services industry.

APRA'S NEW CAPITAL REQUIREMENTS

In July APRA announced their new requirements for the majority of Lenders in Australia to increase the amount of capital they currently have, so that they meet the "unquestionably strong" benchmark recommended in the 2014 Financial System Inquiry (FSI).

The four major banks will be required to raise large amounts of capital and whilst they have two and a half years to achieve their imposed targets they (together with other Lenders) may need to raise their interest rates to cover the increased costs influenced by this requirement.

INTEREST ONLY EXPIRY & EXTENSIONS

In conjunction with the above, extension of Interest Only periods following their initial expiry is becoming more difficult with many lenders now treating this as a "credit critical" change, and requesting full financial information to reassess the applicant's servicing capacity, noting that any interest only period reduces the available term thereafter, over which the loan must be repaid.

The loan must be contracted in such a way so that it is fully repaid within the contracted term. A 30 year loan with an interest only period of 5 years results in the loan having to be repaid over the remaining 25 years. For loan assessment/approval purposes the Interest Only period essentially reduces your borrowing capacity.

LINE OF CREDIT FACILITIES

The rate increases are also applicable to Line of Credit facilities which are "interest only" by nature, and now carry a premium well above the Standard Variable Rate for standard loan products.

If you have an Interest Only Loan or a Line of Credit and you are concerned by the recent interest rate increases please contact our office to discuss a possible switch to a Principal and Interest loan. The switch may be as simple as a one page switching request and free of any bank fees.

UPCOMING KEY DATES & DEADLINES

21 AUGUST 2017	July 2017 Monthly Activity Statement due for lodgement and payment
25 AUGUST 2017	April – June 2017 Business Activity Statement due for electronic lodgement and payment
21 SEPTEMBER 2017	August 2017 Monthly Activity Statement due for lodgement and payment
21 OCTOBER 2017	September 2017 Monthly Activity Statement is due for lodgement and payment
21 OCTOBER 2017	Quarterly PAYG Instalment Activity Statement due for lodgement and payment for head companies of a consolidated group
28 OCTOBER 2017	Superannuation Guarantee Contributions due for payment for July – September 2017 quarter
28 OCTOBER 2017	July – September 2017 Business Activity Statement due for paper lodgement and payment
31 OCTOBER 2017	Due date of lodgement of 2017 income tax returns for taxpayer with one or more outstanding prior year tax returns at 30 June 2017
21 NOVEMBER 2017	October 2017 Monthly Activity Statement due for lodgement and payment
25 NOVEMBER 2017	July – September 2017 Business Activity Statement due for electronic lodgement and payment
1 DECEMBER 2017	2017 Income Tax Payment required for Large and Medium taxpayers (lodgement due 15 January 2018)
1 DECEMBER 2017	2017 Income Tax Payment due for head companies of a large or medium consolidated group
1 DECEMBER 2017	2017 Income Tax Payment due for companies and super funds when lodgement of the return was required on 31 October
21 DECEMBER 2017	November 2017 Monthly Activity Statement due for lodgement and payment

FOR MORE INFORMATION & FUTURE NEWSLETTERS

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

DFK KIDSONS – NORTH CAIRNS & 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 Kidsons.

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