

Superannuation Requirements

A brief overview of the superannuation system and your requirements as an employer.

Who is entitled to superannuation?

Employees over 18 years of age (or under 18 and working 30 hours per week) and earning more than \$450 per month (subject to the award) are entitled to superannuation on ordinary time earnings (OTE). OTE is usually the amount employees earn for their ordinary hours of work. It includes things like commissions, shift loadings and allowances, but not overtime payments. This super is called Superannuation Guarantee (SG) and is the minimum amount you must pay for your employees.

How much superannuation do I pay?

Currently the SG rate is 9.5% of OTE. This is scheduled to increase to 10% from 1 July 2021.

When is superannuation due?

At a minimum SG must be paid within 28 days after the end of the quarter. i.e. December quarter SG is due by 28th January. You can pay more frequently (fortnightly/monthly) if you wish.

How do I pay my employees superannuation?

SG must be paid using electronic means. Most accounting software packages have an in built clearing house and there are other free options available. Once your employees are set up in the clearing house you make one payment for all employees and the clearing house distributes the amounts to each individual superannuation fund.

What if I don't pay my SG by the due date?

If you are unable to make payment or you make a payment late you are required to lodge a SGC Statement and will be liable for Superannuation Guarantee Charge (SGC). **You are also not able to claim a tax deduction for the SGC.**

SGC consists of:

- An SG Shortfall Amount – the amount of SG that was not paid
- A nominal interest rate of currently 10%
- An administration fee of \$20 per employee

The SG shortfall amount doesn't just include SG on OTE - It is calculated using the employee's entire salary or wages which includes any overtime or annual leave loading.

What action is the ATO taking?

The introduction of Single Touch Payroll means the ATO has much more information available to detect superannuation non-compliance. They also receive information from superannuation funds identifying payments made. We have seen a significant increase in the number of superannuation audits initiated by the ATO with large penalties applied.

Please contact our office if you require any further information in relation to your superannuation obligations.

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CONGRATULATIONS!



Elphinstone Stevens would like to congratulate our staff members **Nathan Cocks & Kyle Wescombe** on completing their UTAS Bachelor of Business Degrees!

Christmas Holiday Period

Burnie Office: 5pm 23/12/2020 to 8:30am 11/1/2021

Smithton Office: 5pm 17/12/2020 to 8:30am 14/1/2021

Please Remember

By necessity the contents of this newsletter are summary only. Clients should contact us on 6431 3933 to discuss matters prior to acting.

Christmas Parties and Gifts

With the year quickly coming to a close, I'm sure a lot of us are looking forward to waving goodbye to 2020 at annual Christmas parties and gatherings; Covid-19 safe of course. We thought we'd provide some information on the tax implications and deductibility of such events.

Christmas parties

Christmas parties constitute "entertainment benefits" and are subject to FBT unless specifically exempt or the "minor benefits" exemption applies – being one that is provided to an employee or their associate (e.g. spouse) on an "infrequent" or "irregular" basis, which is not a reward for services, and the cost is less than \$300 "per benefit" inclusive of GST.

Holding the Christmas party on the business premises on a working day is usually the most tax effective. Expenses such as food and drink (including alcohol), are exempt from an FBT liability for employees with no dollar limit, but no tax deduction or GST credit can be claimed by the business. Where the Christmas party is held on the business premises on a working day with only employees and clients attending, and only finger food or a light meal and no alcohol is provided, then the entire cost is tax deductible. There is no FBT and a GST credit can be claimed on the entire cost.

Christmas parties held off the business premises are exempt from FBT where the cost for the employee and their associate is each less than \$300 inclusive of GST but no tax deduction or GST credit can be claimed. The cost of clients attending the party are not subject to FBT, but no tax deduction or GST credit can be claimed on their portion of the cost. Importantly, benefits provided to employees at the Christmas function are considered separately when applying the \$300 minor benefits exemption.

For example, a Christmas party is held at a restaurant costing \$220 per head, and at the same time employees are provided with a Christmas hamper (considered a non-entertainment gift), costing \$85. Although the total cost is more than \$300, the provision of both benefits will usually be exempt from FBT under the minor benefits exemption.

For the Christmas party expenses, the business will not be entitled to claim either a tax deduction or a GST credit. However, a tax deduction and GST credit claim should be available on the cost of the hamper as this is not considered to be "entertainment".

Gifts

Non-entertainment gifts provided to employees are usually exempt from FBT where the total value is less than \$300 inclusive of GST. A tax deduction and GST credit can also be claimed. These include skincare & beauty products, flowers, wine, perfumes, gift-vouchers and hampers. Non-entertainment gifts given to clients and suppliers do not fall within the FBT rules as they are not provided to employees. Generally a tax deduction and GST credit can be claimed for these gifts, provided they are not excessive or overly valuable.

It is important that businesses maintain separate accounts in the general ledger for recording the above transactions to ensure that the correct income tax, GST and FBT treatment is applied.



Temporary Full Expensing

The 2020 Federal Budget has announced temporary full expensing of eligible assets (plant & equipment purchased, installed & ready for use) from 7 October 2020 until 30 June 2022. This has now been legislated.

Recently the Federal Treasurer announced there may be further tweaks to this which **MAY** result in businesses being able to opt in or out of full expensing on an asset by asset basis. Without further legislation, general pools **MUST** be fully expensed as at 30 June 2021. This measure is simply a timing difference to allow immediate claims rather than over several years.

It should be noted that there that the car cost limit applies for Motor Vehicles and this measure is only available for plant & equipment (generally excludes buildings). A "motor vehicle" is defined as a motor vehicle (other than a motorcycle) designed to carry a load of less than one tonne and fewer than nine passengers. The car cost limit only allows you to claim up to \$59,136 of the car's value (excluding GST) regardless of its price.

Please contact us to discuss your specific circumstances if you are planning large plant & equipment expenditure over the coming years as this measure will make significant changes to the depreciation deductions for all clients that hold or purchase significant plant.

CLIENT PROFILE

SECRET BUDDHA CAFE

As compiled by Sharon Thomas. Elphinstone Stevens congratulates Sharon on all her hard work particularly during the COVID-19 pandemic.

"I want to buy the Secret Buddha Café". This is what I said to my partner, family and friends. "But there's no serious money to be made out of cafés or restaurants", I was told. "There are great profits margins before wages", I was told, "but little left after that". "Long hours", I was told.

But did I care? I loved the Secret Buddha Café, a hidden gem in the gardens of West Park Grove Nursery. I had been selling flower bouquets from my home garden there for some years. My daughter worked as a barista there. I felt I had a connection. Yes, I have to admit, I had no experience in running a café/restaurant. My background was hairdressing while dabbling in fashion design with my own label. But something was telling me I had to do this. So against all the initial advice, and with the support of my partner in life (Murry), I went ahead and I bought the Secret Buddha Café.

With the help of family and friends we gave the place a much needed refresh and I took over as the new owner in August 2019. Things began slowly at first but by November business was looking promising. January 2020 came good with the best turn-over to date. Then came COVID-19. By March the restrictions made it impossible to trade. It really was a punch to the gut, but I had to look at the positives. Maybe it's time to do those much needed repairs and renovations. So after some serious work in the kitchen and outdoor area I was ready to trade again by the middle of June.

Not only did I have to operate the business to meet the minimum COVID-19 safety standards for all cafes and restaurants, my usual customer base were reluctant and nervous to venture out and socialise given the risks. The customers trickled in. Business was slow. But I had to keep faith that things would pick up. And pick up they did.

It was as though someone flicked a switch and the cafe suddenly filled up with all these wonderful people who wanted to come out and support my business. Seriously, how could I be so busy when only days before things were looking so grim. Where had all these people come from?

Well here we are, almost Christmas. Yes everyone was right. There are long hours, really long hours. And there are the inevitable high wages to provide my employees with an income, they weren't wrong there either. Is it worth it? Absolutely! I am seriously in love with my little business, the Secret Buddha Café.





Records for Capital Gains Tax Purposes

Capital Gains Tax (CGT) is a tax imposed on the sale of capital gains tax assets, which you have made a gain on. Although it is referred to as CGT it is actually part of your income tax, not a separate tax.

All assets you've acquired since tax on capital gains came into effect on 20 September 1985 are subject to CGT unless specifically excluded. Most personal assets are exempt from CGT, including your home (*as long as used as your own residence & owned personally*), car and personal use assets such as furniture. Common assets which may attract capital gains tax include:

- rental properties
- properties other than your primary residence
- shares, units or other similar investments
- cryptocurrency

For all capital assets it is important that you keep documentation in order to calculate any capital gain or loss. Keeping these documents may spell the difference between having to pay CGT and recording a capital loss. The following are examples of the types of records you must keep:

- contracts of purchase or transfer
- details of interest on money you borrowed relating to this asset
- records of agent, accountant, legal and advertising costs
- receipts for insurance, rates & land taxes, repairs & modifications
- details of change in use
- any market valuations, and
- accounts showing brokerage fees on shares.

We also recommend keeping documents for the purchase of your primary residence. Primary residences are exempt from CGT, however if it is ever becomes a rental property it will in some cases become a CGT asset.

After you sell a capital gains asset which you have made a gain on you are required to keep records for 5 years. However if you make a loss from selling a capital gains asset you are required to keep records until all of this loss has been applied against future capital gains.

JobMaker Hiring Credit

The government has passed legislation to establish the JobMaker Hiring Credit, which is part of the economic response to the COVID-19 pandemic. The JobMaker Hiring Credit is specifically designed to encourage businesses to take on additional young employees and increase employment.

It does this by providing employers with a fixed amount of \$200 per week for an eligible employee aged 16 to 29 years and \$100 per week for an eligible employee aged 30 to 35 years, paid quarterly in arrears by the ATO. Eligible employers will have access to a JobMaker Hiring Credit for each new job they create over the 12 months from 7 October 2020. To be eligible, the employee must have been receiving JobSeeker, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months, assessed on the date of employment. Employees also need to have worked for a minimum of 20 hours per week, averaged over a quarter, and can only be eligible with one employer at a time.

Newly established businesses and businesses with no employees at the reference date of 30 September 2020 are able to claim the JobMaker Hiring Credit where they meet the criteria. The minimum baseline headcount is one, so employers who had no employees at 30 September 2020 or who were created after this reference date will not be eligible for the first employee hired, but will be eligible for the second and subsequent eligible hires.

Employers will register with the ATO and make claims quarterly, commencing from February 2021. Please note an employer cannot claim JobKeeper and JobMaker Hiring Credit at the same time.

