The Bottom Line NEWSLETTER
Autumn 2021 - Issue No. 89

elphinstone stevens pty ltd

Long Service Leave Explained

What is long service leave?
Long service leave is paid leave granted to employees for 'long service' to an employer.

Who is entitled to long service leave?
A full time, part time or casual employee is entitled to long service leave based on their continuous service with an employer.

When is an employee entitled to take long service leave?
Generally, employees are entitled to take 8.67 weeks long service leave after 10 years continuous service. Thereafter, an additional 4.33 weeks entitlement after each subsequent 5 years of continuous service.
In certain circumstances (broadly retirement, death, employee made redundant) an employee may also be entitled to a pro-rata payment on termination after completing 7 years of service.

Casual and part time employees
A common misconception amongst employers and employees is that casual and part time employees are not entitled to long service leave. Casual and part time employees who have been working 32 hours or more in each consecutive period of four weeks (i.e 8 hours per week) are eligible for long service leave.

Payment for long service leave
An employee is to be paid 'ordinary pay' for a period of long service leave. Ordinary pay is the remuneration the employee would receive if the employee remained at work during that period. Ordinary pay for a casual employee is based on the average number of hours worked over the 12 months immediately prior to the commencement of the leave.

Can long service leave be cashed out?
By agreement with their employer, employees may cash-out long service leave by receiving payment instead of taking leave. An employee may also take a mixture of cash and leave.

What records must be kept?
Employers must keep records to accurately record service and calculate when long service leave falls due. The Long Service Leave Regulations require the following records to be kept:

- Employer's name and address;
- Employee's name, address & position;
- Date employment commenced;
- Details of any additional period of employment to be served due to an absence or interruption that does not count towards continuous employment;
- End date of the qualifying period;
- Details of leave taken (start & finish dates, number of dates taken, amount paid and method of payment);
- Details of termination of employment (date, reason and rate of ordinary pay at the date of termination).

This is a very general overview of the long service leave regime and its application may vary depending on your particular circumstances. Please contact us if you have any questions.

CONTENTS

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.

JobMaker Hiring Credit Scheme: Claims Open

As previously reported registrations for the JobMaker Hiring Credit scheme opened on 7 December 2020. Claims for the first JobMaker period can be made from 1 February 2021, provided employers are registered and meet all eligibility requirements. The eligibility requirements can be found at https://www.ato.gov.au/General/JobMaker-Hiring-Credit/

SMSF: Investment Strategies

Under the SIS Act, an SMSF must hold and implement an investment strategy. An investment strategy is a plan for making, holding and realising assets. It should set out why you have chosen to invest in these assets and how these investments will meet your retirement goals. Super laws also require trustees to invest in accordance with the best interest of all members.

Basic requirements of an investment strategy include:

- It must be in writing
- It should be tailored to your (the members') specific circumstances
- It should consider the risks of making, holding and realising each investment
- It should consider the composition of the investments of the fund (diversification)
- It should consider the liquidity of the investments
- It should consider whether reliable valuation information will be available
- It should consider the ability to pay benefits and costs incurred
- It should consider whether to hold insurance cover for each member

When formulating your investment strategy, it is not a valid approach to merely specify investment ranges of 0 to 100% for each class of investment. It should articulate how you plan to invest your super or why you require broad ranges to achieve your investment goals.

While a trustee can choose to invest all their retirement savings in one asset or asset class; this increases the risk of return, volatility and liquidity. These risks can be minimized if trustees choose to invest in multiple different investment classes. This is known as a diversified portfolio. If trustees do not choose a diversified portfolio it must be documented in the investment strategy that the risks associated with this have been adequately considered.

Your investment strategy should not be a 'set and forget' document. It should be reviewed regularly to ensure it continues to meet the current and future needs of your members depending on their personal circumstances. You should also review your strategy at least annually and document that you have undertaken this review and any decisions made arising from the review. If you have any questions regarding your Investment Strategy, you should discuss with your financial planner.

Home Office Covid-19 Rate Extended

The ATO has extended (again) the ability to utilise the "shortcut method" for claiming home office running expenses to 30 June 2021 (it previously only applied until 31 December 2020).

As we have previously reported; the "shortcut method" allows certain taxpayers to claim a fixed rate per hour (80 cents per hour) for most additional running expenses incurred when working from home by simply keeping a record of the number of hours they have worked from home.

The alternative is claiming the fixed rate method of 52 cents per hour with separate claims for work related portion of telephone, internet and computer expenses etc (of which you need to have appropriate records and evidence of work related use)

Online Services for Business is here

The ATO has recently replaced the Business Portal with a new and improved 'Online Services for Business'. Along with all the old features of the Business Portal the new system offers a range of new features such as:

- Making a payment plan
- Obtaining copies of income tax returns
- Quickly navigating between the ABNs you manage using Switch ABN
- Viewing your communication history with us.

Online services for business can be accessed on multiple devices, including a smart device like your phone or tablet. The new service is in 'public beta testing', which means you can provide feedback on it. Complete the 'Give us your feedback' form located at the bottom of every page within the service.

To access Online Services for Business visit https://onlineservices.ato.gov.au/business/ and use myGovID to log in. If you are new to ATO online services, you will need to set up your myGovID and link it to your business using Relationship Authorisation Manager. It is important to note that myGovID is completely different to myGov.

The Business Portal will be available until later in the year to give you time to change over to Online Services for Business.

STAFF PROFILE

MELISSA FURPHY

We wish to congratulate Melissa on completing her CPA recently. This is a fantastic achievement and is very highly regarded within the profession. Being a CPA is a mark of high professional competence. It indicates a soundness in depth, breadth and quality of accountancy knowledge. Melissa has grown within our firm from a junior role to be a very important senior member of the team. Melissa visits the West Coast regularly and also has monthly visits to her old home town of Smithton. She also assists with the development of the younger team members. We are certainly very proud of her achievements and are very glad she has chosen to stay with us on the Coast (as I am sure her clients are) as she undertakes her career.

Melissa has been with our firm now for close on 9 years; here are a few things you may not know about her:

Q: Before working at ELST what did you do?
A. Well, I was just out of school, so during school I worked in a takeaway/café in Smithton and then I went to Uni full-time.

Q: If you could switch your job with anyone else within the company whose job would you want?
A: Not David's!!

Q: What do you like most about working at ELST?
A: The people I work with and getting to know and see client's businesses grow over time.

Q: Outside of work what do you enjoy doing?
A: Travelling around Tassie; viewing natural gems. Catching up with family & friends for a bite to eat and also watching or playing basketball when I can.

Q. Favourite destination or travel spot?
A: So far I'd have to say New Zealand because I would like to go back! But, Busselton in WA is also somewhere I'd visit again. Locally, I'd say Bridport or St Helens. Too many to choose from!

Q. What is on your bucket list?
A: Go on a Pennicott Wilderness Journey Cruise – which hopefully by the time the newsletter is printed I will have ticked off.

Q. What books are at your bedside?
A: Currently Heroes Next Door by Samuel Johnson & Hilde Hinton (Love Your Sister charity).

Transfer Balance Cap Indexation

Since 1 July 2017 all persons entering retirement have been subject to a transfer balance cap which restricts the amount of savings in superannuation that can be transferred into the retirement phase (e.g. as an account-based pension) and receive preferential tax treatment with tax free income. The value of this transfer balance cap was set at $1.6 million.

The transfer balance cap is legislated to increase by $100,000 to $1.7 million from 1st July 2021. This means there won't be a single cap that applies to all individuals – every individual will have their own personal transfer balance cap of between $1.6 million and $1.7 million. Each individual will fall into one of the 3 scenarios listed below.

Scenario 1 - Your cap remains at $1.6M
A person who had a transfer balance account balance of $1.6m at any time prior to 1 July 2021, will not be entitled to any of the transfer balance cap increase - their 'personal transfer balance cap' will remain at $1.6m.

Scenario 2 - Your cap becomes $1.7M
A person who first commences a retirement phase income stream on or after 1 July 2021 will have a transfer balance cap of $1.7m.

Scenario 3 - You get a proportion of the $100,000 indexation
A person who had a transfer balance account of less than $1.6 million (but greater than $0) will be entitled to a proportionate entitlement to the $100,000 increase and will have a 'personal transfer balance cap' of between $1.6m and $1.7m.

For Example:
Terry first commenced a retirement phase income stream, an account based pension, on 1 September 2020 with an amount of $1.4m. There are no other events in Terry's transfer balance account prior to 1 July 2021.
Terry's unused cap percentage is 12.5%, being the unused cap amount of $200,000 as a percentage of his transfer balance cap of $1.6m at 30 June 2021. Terry's personal transfer balance cap will be indexed by 12.5% of $100,000, that is, $12,500. Terry's personal transfer balance cap after indexation of the general transfer balance cap on 1 July 2021 will be $1,612,500.

From 1 July 2021 individuals will also be able to view their personal transfer balance cap in ATO online (ie myGov).

Paper PAYG and GST Quarterly Instalment Notices

As part of its digital improvement program, the ATO stopped issuing paper quarterly PAYG and GST instalment notices (forms R, S & T), where taxpayers had a digital preference on ATO systems.

The September 2020 notice was the last one issued to these taxpayers. However, the ATO has received feedback from tax professionals that issues have arisen for some of their clients as a result of this change.

As an interim solution, the ATO said it will issue paper PAYG and GST quarterly instalment notices starting with the March 2021 quarterly notices. For taxpayers impacted by this change, the ATO will work with their registered agents to take their circumstances into account. This interim approach does not extend to self-preparers who will continue to receive an email reminder 21 days before the due date, where the ATO has an email address for them.

The ATO said it will continue to work with the tax profession to develop a digital solution for the PAYG and GST instalment notices that is workable for registered agents and their clients. Please contact our office if you require more information about paper PAYG or GST quarterly instalment notices.

Cash Payment Limit Bill Shelved

The Government has decided not to proceed with its proposal to limit cash payments in Australia to $10,000.

This measure was originally raised as part of the 2018/19 Budget, and the Government subsequently introduced a Bill to the House of Representatives, proposing to make it an offence for entities to make or accept cash payments of $10,000 or more. That Bill passed the House and was then introduced to the Senate on 11th November 2019, but proceeded no further, and the Government withdrew the Bill from the Senate on 3rd December 2020.