



CIB ACCOUNTANTS & ADVISERS BUSINESS & TAXATION BULLETIN

keeping you informed **autumn 2016**

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SMALL BUSINESS TAX CUTS

The income tax rate for small businesses with turnover of less than \$2 million has been reduced from 30% to 28.5% from 1 July 2015.

An income tax rate cut has also now been extended to individuals with an unincorporated small business. An individual will receive a discount of five percent on the income tax payable on the business income which will be capped at \$1,000 and delivered as a tax offset.

IMMEDIATE DEDUCTIONS FOR PROFESSIONAL EXPENSES

Previously some costs associated with a new business start-up were required to be apportioned over 5 years for tax deductibility. From 1 July 2015, any start-up professional costs incurred by a small business are immediately deductible in the year they are incurred.

GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the third quarter of the 2015-16 income year.

The GIC annual rate for January – March 2016 is 9.22%, and the SIC rate is 5.22%.

**CHRIS
Coulton**
Partner
FCA



**GEORGE
Isaac**
Partner
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**BRADLEY
Ross**
Partner
CA



CAR EXPENSE CHANGES

From 1 July 2015 the ATO has simplified the car expense deductions available for individuals from four methods to only two. The previously available one third of actual expenses and 12% of original value methods have been scrapped.

Two available methods from 1 July 2015 are:

- Cents per kilometre – Limited to 5,000km per year.
- Logbook – Unlimited kms.

The cents per kilometre rate has also been simplified into one rate of 66cents per kilometre for all vehicle types. If a business is paying employees a cents per kilometre rate higher than 66cents they are required to PAYG withhold on the excess car allowance amount.

ARE YOU SUPERSTREAM READY?

Employers with 20 or more employees should already be using SuperStream since 1 July 2015. All employers are required to enter the SuperStream system by 30 June 2016.

SuperStream requires you to make all superannuation payments electronically and there are number of options available to help you comply with the new system such as:

- Updating your payroll system.
- Using your superannuation fund's online system.
- Using a messaging portal.
- Using a clearing house (such as the ATO free super clearing house for small business).

In order to be prepared to enter the SuperStream system, employers need to collect all employee's TFN's and the USI (Unique Super Identifiers) of their respective funds.

If the only contributions you make are

personal contributions or contributions to a related SMSF, you are exempt from reporting using SuperStream.

FBT EXEMPTION EXTENDS TO MULTIPLE PORTABLE DEVICES

The current Fringe Benefits Tax law grants an exemption for more than one work-related portable electronic device used primarily for work related purposes, but only when the devices perform substantially different functions. This would result in an exemption only being available for one device if an employee has a laptop and a tablet.

From 1 April 2016, small businesses with an aggregated turnover of less than \$2million will be able to claim an exemption for all work-related portable electronic devices, even if they have substantially the same function.

SELF MANAGED SUPER FUNDS – LIMITED RECURSE BORROWING ARRANGEMENTS STILL AVAILABLE

The Murray Inquiry which was released in December 2014 recommended to the Government that they restore the ban on direct borrowings by a superannuation fund on a prospective basis.

The Government has now announced that it has rejected this recommendation and that superannuation funds will be able to continue to directly borrow funds through a limited resource borrowing arrangement.

If you are considering borrowing funds to purchase a property in your SMSF, please contact our specialist Super Fund team to discuss your intentions as this a very complex area of superannuation legislation.

FUEL TAX CREDITS

Due to the indexation of the fuel excise, the fuel tax credit rates change on 1 August and 1 February each year.

As the rates are being regularly updated, 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.

USE OF FUEL	FUEL TYPE	FROM 1 JULY 2015	FROM 1 AUG 2015	FROM 1 FEB 2016
Vehicle greater than 4.5 tonnes GVM travelling on a public road	Petrol or diesel	12.76 cents	13.06 cents	13.36 cents
Specified off-road activities	Petrol or diesel	38.9 cents	39.2 cents	39.5 cents
To power auxiliary equipment of a heavy vehicle travelling on public roads	Petrol or diesel	38.9 cents	39.2 cents	39.5 cents
Fuel for domestic heating	Kerosene and heating oil	38.9 cents	39.2 cents	39.5 cents



GRAEME Bellach
Partner
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JOEL Halbert
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RONELLE Wilson
Partner
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RADLEE Moller
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CIB CLIENT CORNER

Congratulations to Keith Henning

On behalf of all the partners and staff at CIB we would like to congratulate Keith Henning on receiving the Medal of the Order of Australia for his charitable donations and services to the community of Parramatta.

The David Henning Foundation which was established in honour of Keith's son, has provided assistance to charities and community groups both locally and internationally for many years. The honour is very well deserved. Congratulations Keith.

CIB STAFF NEWS

Welcome New Staff Members

Sam Ali and James Russell join us as Cadets.

Samantha Shorten and Michelle Agnew join the Admin Team in our Penrith Office.

Lydia Pesa and Domenic Vitalone join the Workers Compensation Team.

CIB NEW PARTNERS

CIB Accountants & Advisers is pleased to announce the appointment of Ronelle Wilson as Partner in Business Services and Radlee Moller as Partner in Audit & Assurance, effective from 1 January 2016.

CIB PENRITH MOVING OFFICE

Penrith is Growing & Moving

We are pleased to announce that due to the expansion of our Penrith office we have relocated to new premises.

With the growing needs of our Business Services Team and SMSF Division we have moved into a bigger office space to accommodate the expansion. Our Office is now located at; Suite 12, Dalma House, 308 High Street Penrith, NSW 2750. Our telephone number, Post Office Box Number and emails will remain the same.

If you have any questions please call us on 02 4721 6000.



**CAMERON
Duncan**
CA

FEATURE ARTICLE – BY CAMERON DUNCAN CA FRINGE BENEFITS TAX

March 31 marks the end of another Fringe Benefits Tax (FBT) year.

Now is the time to ensure that you take advantage of last minute tax planning opportunities to avoid the heat of the ATO audit blowtorch for the current and future FBT years.

There have been many changes to the laws governing FBT, the most notable of which is the increase in the tax rate from 47% to 49%. While many of the other changes will not affect the majority of taxpayers directly, it is important to know what benefits can be achieved within the boundaries of these laws.

WORK RELATED ITEMS EXEMPTION

One of the most popular exemptions for FBT purposes is the exemption available to an employer to provide an employee with a work related item that is primarily used in connection with the employee's employment.

An eligible work related item can include:

- A mobile phone.
- A tablet/iPad.
- A laptop computer.
- Tools of trade.
- Computer software.

Employers are restricted to one eligible item per employee per full FBT year for the purposes of the exemption. An issue that is becoming more common in recent years is that work related items can be substantially similar or have identical functions, thereby restricting the opportunity for employers to receive an exemption for certain related items. This single-item restriction does not apply to lost, stolen or damaged items, however the availability of the exemption will need to be made on a case by case basis.

For example, a smart phone has similar and identical functions to a tablet device (calendar, email capabilities, calculator, etc.), so are they the same eligible work related item? The answer is NO. The ATO has confirmed that the underlying function of the item is the differentiating factor when deciding if work related items are the same. A tablet device's functionality is substantially different in that a tablet device is designed to view and create data, whereas a smart phone is fundamentally designed to make and receive phone calls.

Practically, employers are able to give an employee both a smart phone and a tablet device and enjoy the work related item exemption so long as an employee can demonstrate that both items are primarily used in connection with their employment.

From 1 April 2016 these restrictions have been lifted for small businesses to allow employers to provide multiple electronic devices with identical functions to employees. This is great news as the functionality of tablet devices becomes more like traditional laptops and the line begins to blur. Employers still need to ensure that these extra devices will be used predominately for business related purposes when providing them

AUDIT FOCUS

Each year the ATO highlights certain areas or industries that they believe to be at risk and choose to focus their attention thereon.

This year the ATO has suggested that compliance activities will be focused upon:

- Contacting employers to enforce lodgement of overdue FBT returns.
- Undertaking reviews of employers who have purchased vehicles but have not disclosed vehicle fringe benefits in an FBT return (these details are provided by the RMS from vehicle registrations).
- Reviewing living away from home benefits provided to employees.

COMMON FRINGE BENEFITS

A summary of the most common types of fringe benefits has been provided below. If you think that any of these situations may apply to you, please contact CIB Accountants & Advisers for further advice.

Car Fringe Benefit

Arises where you (the employer) make a car that you 'hold' available for the private use of an employee. A car you 'hold' generally refers to a car that you own or lease.

The following types of vehicles (including four-wheel drives) are considered taxable:

- Motor cars, station wagons, panel vans and utilities (excluding panel vans and utilities designed to carry a load of one tonne or more).

- All other goods-carrying vehicles designed to carry less than one tonne.
- All other passenger-carrying vehicles designed to carry fewer than nine occupants.

Expense Payment Benefit

This arises where an employer pays for or reimburses private expenses incurred by employees, e.g. school fees; private telephone bills; rates and land taxes; health insurance premiums, etc.

Provision of Entertainment

Arises where an employer incurs expenditure for the provision of:

- Entertainment by way of food, drink or recreation.
- Accommodation or travel in connection with, or to facilitate the provision of such entertainment.

Common examples of these benefits are:

- An employer pays for business lunches/dinners at a restaurant for clients and employees.
- An employer holds a social function (e.g. Christmas party) for employees and clients.
- An employer provides Friday night drinks.

This list is not exhaustive nor does it cover the exemptions and tax planning opportunities to reduce this taxable benefit.

Salary Packaging

Salary packaging is an effective tax planning option available to employees to increase their after-tax income. Salary packing arrangements are designed to substitute the cash component of an employee's remuneration package for a non-cash benefit. These arrangements do have FBT consequences, but can be minimised or eliminated through proven FBT reduction strategies to give you a greater benefit overall.

Common examples of this arrangement include the substitution of cash salary for increased superannuation contributions, the provision of work related items (e.g. laptops) or for the purchase or leasing of a car.

Please contact "Ask CIB" should you wish to discuss further.

CIB FINANCE ARTICLE – BY FRANK SCHIRALDI TO FIX OR NOT TO FIX?

With interest rates at their lowest level for some time and with most lenders 1 to 3 years fixed interest rates now being lower than the banks variable interest rate, many clients are asking the question: Do we fix our loan or is it better to have a variable rate?

WHICH LOAN IS RIGHT FOR ME?

That all depends on your circumstances.

Variable and fixed loans have their advantages and disadvantages so it's imperative to consider these before making a decision.

Split loans combine features of both variable and fixed allowing you to broaden your options.

VARIABLE LOANS

Advantages

- When the Reserve Bank or the market lowers interest rates, these savings will usually be passed on to you.
- You can make additional repayments without incurring a penalty then have the option to redraw the additional funds at a later date.
- You have the option to split your loan so that it is both fixed and variable.
- Provides more flexibility than other types of loans.

Disadvantages

- When the reserve Bank or market increases rates, the interest rate on your loan will also increase – meaning you will pay more interest.

FIXED LOANS

Advantages

- During the fixed term, your repayment won't change making budgeting easier.
- During the fixed period, if interest rates go up your loan interest rate and repayments won't change.

Disadvantages

- Most fixed loans limit the flexibility of being able to make extra repayments, with most lenders allowing up to a maximum extra repayment amount each calendar year (without being charged a fee by the lender). You are not able to redraw the extra repayments during the fixed rate period.
- When market rates go down, the rate on your loan will remain the same so you won't have the benefit of potential savings.
- If you choose to exist or switch your loan during the fixed rate period, there may be early repayment or Break Costs.

HOW EASY IS IT TO SWITCH ALL OR SPLIT PART OF YOUR LOAN TO A FIXED RATE?

It's is as easy as ringing the bank or completing a loan switch form. Though there are many factors to be considered before making a change to your loan.

This is where we are able to help you by researching what is available and if making the change is the right solution for your situation, then we help make the process as smooth as possible.



**GREAT PEOPLE THAT
KNOW & UNDERSTAND ALL LEVELS OF
BUSINESS & FINANCE**

CIB PRIVATE WEALTH ARTICLE – BY PAUL ISRAEL
MARKET COMMENTARY

Mr Warren Buffet once wrote: 'Over the long term, the stock market news will be good. In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497.'

What the great investors understand and the rest of us need to keep reminding ourselves is that the volatility of the market is simply the price we pay for the long-term outperformance of shares.

2016 commenced with a bout of share price weakness. At the time of writing share prices were recovering strongly off the back of a better than expected company reporting season, and signs that the domestic economy is strengthening.

In this update we examine the likely cause of share price falls in January, and the key trends that started to emerge in the reporting season.

LIKELY CAUSE OF JANUARY FALLS

There has been many number of theories provided as to why global markets declined in January.

The S&P 200 Accumulation Index fell by 5.48% in the month. Possible reasons widely reported included;

- The threat of a breakout in inflation and a sharp increase in US interest rates.
- A global economic slowdown causing global asset price deflation.
- An outbreak of bad debts emanating from the resource sector.
- An outbreak of bad debt emanating from an overheated Australian property market. As an anecdote a major international investment bank recently offered an Australian property market update. They had in excess of 150 global hedge register for the call. Normally they would not exceed 50.

In our opinion the most likely cause of these share price movements was indiscriminate selling by oil producing sovereign wealth funds.

It is estimated that 5% of global equities are held by Sovereign Wealth Funds.

These funds control assets of approximately USD \$7.1 trillion, 56% of these are held by oil producing countries including; Abu Dhabi, Saudi Arabia, Kuwait, and Qatar.

With oil prices declining from in excess of \$100 a barrel to \$30 a barrel; these countries are now running budget deficits. These funds which own a lot of property and private equity investments, are prone to sell their liquid assets (shares) first.

In recent times as the oil price has started to stabilise, the Australian market is up 9.5% from its 2016 lows, and is down just 1.5% this year.

The key point is that this type of selling pressure is a short term liquidity event. This type of event will ultimately pass and earnings and fundamentals will again takeover, as per Mr Buffet's previous observation.

STRONG AUSTRALIAN MARCH GDP FIGURE

The March GDP figure was undeniably strong, with year on year growth lifting to 3.0%. This is the fastest growth in two years.

Moreover, the annualised pace in the 2H15 was an above trend 3.5%, a strong pick-up from 1H15's 2.5%.

There were also some pleasing signs within the data, with an improving trend in public demand, ongoing housing strength and further pick-up in the consumer spending.



**PAUL
Israel**

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

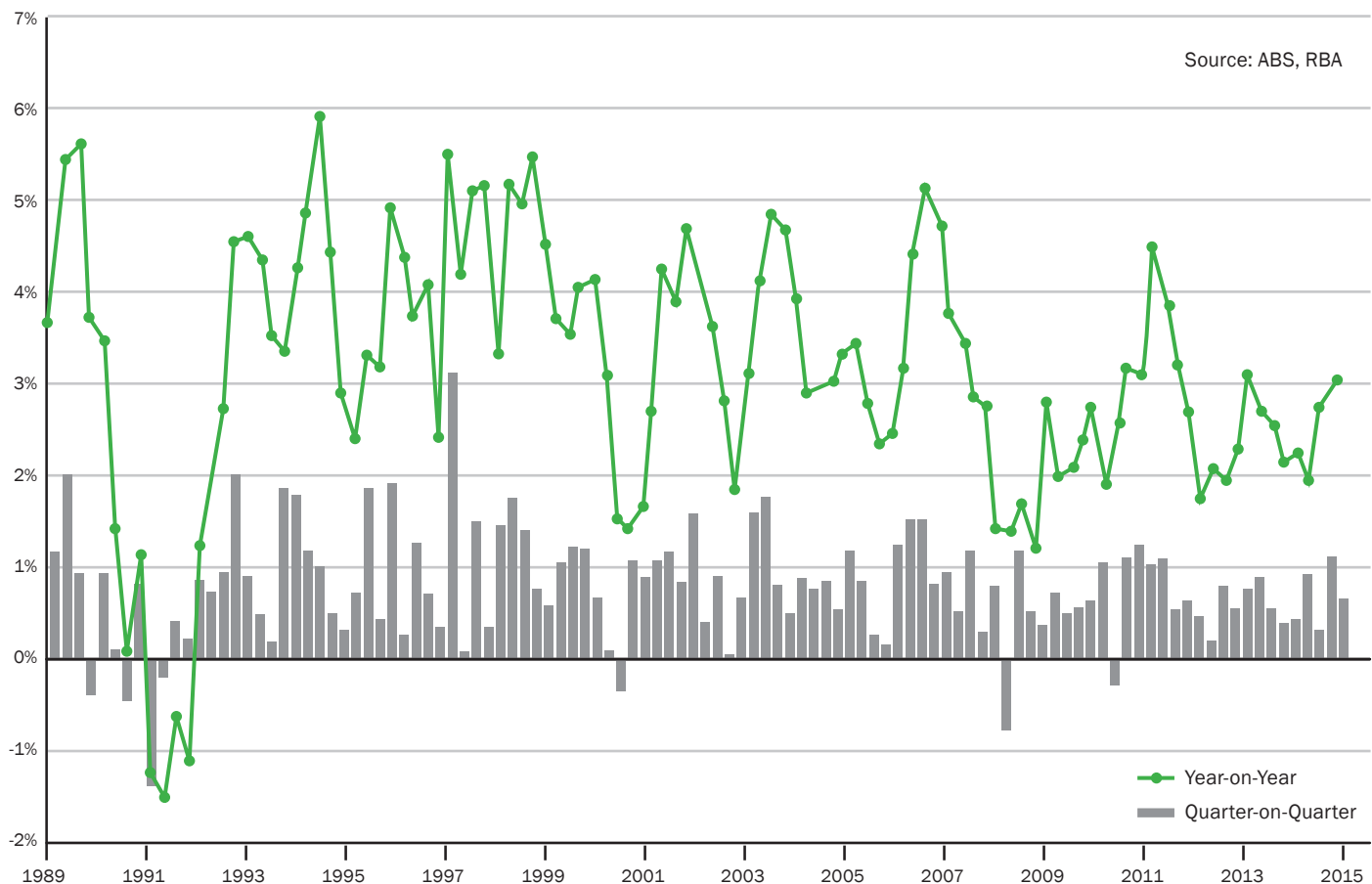
**Talk to us about your
accounting today**

Contact CIB Accountants &
Advisers on:

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See below an interesting chart

Figure 1: Q4 GDP bounces 0.6% Quarter-on-Quarter and hits 3.0% Year-on-Year



BANKS BAD & DOUBTFUL DEBTS REMAIN LOW

The December half profit season has just finished. The key themes that drove the markets into correction territory earlier in the year did not materialise.

The banks all reported clean results that showed virtually no evidence of the commodity price meltdown or the market slump.

NAB's underlying earnings were 8 per cent above the December 2014 quarter. CBA's cash earnings rose by 4%, and ANZ's by 5%. Westpac did not report during this period.

NAB's charge for bad and doubtful debts halved to \$84 million. As the bank bears point out, problem loan levels are so low they will eventually rise, but the banks are not too exposed directly to the resources sector. CBA said last week that its loans to the mining, oil and gas sectors accounted for only 1.8 per cent of its total lending.

NAB chief executive Andrew Thorburn said that the same sectors accounted for less than 1 per cent of NAB's loan portfolio.

At the time of writing ANZ, NAB and Westpac have rising between 12.8% to 15.4% from their lows.

On balance the reporting season was one of the better one's we have seen over the past 3 years.

CONCLUSION

We continue to target stocks with a combination of relatively predictable earnings growth and reasonable yield.

With very low levels of interest rates globally, we expect strong demand for sustainable, growing dividends to continue.

We make it happen!

A DYNAMIC ASSOCIATION OF
EXPERIENCED PROFESSIONALS



UPCOMING KEY DATES & DEADLINES

21 MARCH 2016	February Monthly Activity Statement due for lodgement and payment
31 MARCH 2016	Due date for lodgement and payment of 2015 income tax returns for companies (including head company of a consolidated group) and super funds with income in excess of \$2 million
31 MARCH 2016	Lodgement of 2015 income tax return due for individuals with a tax liability of greater than \$20,000 last year
31 MARCH 2016	Fringe Benefits Tax year ends
21 APRIL 2016	March Monthly Activity Statement due for lodgement and payment
21 APRIL 2016	Quarterly PAYG Instalment activity statement due for lodgement and payment for head companies of a consolidated group
28 APRIL 2016	Superannuation Guarantee Contributions due for payment for Jan – Mar 2016 quarter
28 APRIL 2016	January – March 2016 Business Activity Statement due for paper lodgement and payment
15 MAY 2016	Due date for lodgement of 2015 Income Tax Return for all entities who were not required to lodge earlier. Payment required for companies and super funds
21 MAY 2016	April Monthly Activity Statement due for lodgement and payment
26 MAY 2016	January – March 2016 Business Activity Statement due for electronic lodgement and payment
28 MAY 2016	2016 Fringe Benefits Tax Annual Return – due for payment
5 JUNE 2016	Due date for lodgement of 2015 Income Tax Return for companies and super fund who were non-taxable or refundable in prior year and non-taxable or refundable in current year.
5 JUNE 2016	Due date for lodgement and payment of 2015 Income Tax Returns for individuals who have not lodged earlier
21 JUNE 2016	May Monthly Activity Statement due for lodgement and payment
25 JUNE 2016	Due date for lodgement of 2016 Fringe Benefits Tax Annual Return

IMPORTANT: Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.