

CLIENT NEWSLETTER

FOX & RYNNE

MARCH 2019

SINGLE TOUCH PAYROLL

From **1 July 2019** employers with 19 or fewer employees will have to report under STP rules. Businesses with 20 or more employees began reporting from 1 July 2018.

Businesses with 5 to 19 employees have been granted a 3 month grace period before penalties may apply. They will be allowed to start reporting any time between **1 July and 30 September 2019**.

Businesses with 4 or fewer employees have been granted the option to submit STP data quarterly via their BAS or Tax Agent for two years.

Exemptions to STP reporting will also be available to businesses that have no internet or have an unreliable connection.

There are six products that are currently available, namely by Cashflow Manager, ePayroll, Single Touch Pty Ltd, CloudPayroll Pty Ltd, AccXite Pty Ltd, and Free Accounting Software Pty Ltd.

A total of 16 products are currently in development and will be released to market over the next six months.

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UPDATE HEALTH FUNDS REGARDING DEPENDENTS

It is important to ensure that your health fund details are up to date with regard to your dependent children, or spouse. If your marital status changes, or you have children – this could have an impact on the Medicare levy surcharge income thresholds.

The Medicare levy surcharge (MLS) is levied on Australian taxpayers who do not have an **appropriate level of private hospital insurance** and who **earn above a certain income**. The MLS is payable in addition to the Medicare levy.

Medicare Levy Surcharge income thresholds until 30 June 2021				
	Base tier	Tier 1	Tier 2	Tier 3
Single threshold	\$90,000 or less	\$90,001 – \$105,000	\$105,001 – \$140,000	\$140,001 or more
Family threshold	\$180,000 or less	\$180,001 – \$210,000	\$210,001 – \$280,000	\$280,001 or more
Medicare levy surcharge	0%	1%	1.25%	1.5%

Note: The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.

Appropriate level of private patient hospital cover:

Private patient hospital cover is provided by registered health insurers for hospital treatment provided in an Australian hospital or day hospital. You must arrange and pay for your cover directly with the insurer.

For singles, an appropriate level of cover must have an excess of \$500 or less. Couples or families must have an excess of \$1,000 or less.

If your private health insurance policy does not provide an appropriate level of private patient hospital cover, and your income for MLS purposes is above a certain threshold, you may have to pay the MLS.

General cover, commonly known as 'extras', is not private patient hospital cover. It covers items such as optical, dental, physiotherapy or chiropractic treatment.

Travel insurance is not private patient hospital cover for the purposes of the MLS. Similarly, private patient hospital cover does not include cover provided by an overseas fund.

TAX INVOICES FOR COMPULSORY THIRD PARTY

The department of transport no longer issues tax invoices for CTP. As you are aware, this notice is required in order to calculate any GST that may be able to be claimed. This is available for downloading, (see link below) but only for vehicles which owners have notified the DMR are to be used for business or commercial use, so it is important to notify them of this fact. In addition to this, when purchasing a vehicle, you must nominate that it is a commercial vehicle in order to claim input tax credits.

<https://www.service.transport.qld.gov.au/gettaxinvoice/public/Welcome.xhtml?dswid=9207>

FINANCIAL ASSISTANCE FOR NATURAL DISASTERS

Financial assistance packages have been made available under Disaster Recovery Financial Arrangements (DRFA). Depending on the severity of damage, different types of assistance are activated for certain areas.

Financial assistance is available in the form of:

- Emergency hardship assistance
- Essential services hardship assistance grant
- Essential household contents grant
- Structural assistance grant
- Essential services safety and reconnection grant
- Help for primary producers

Find details on www.qrida.qld.gov.au, or contact QRIDA on 1800 623 946 .

DRFA Category B Assistance

Freight subsidies—Eligible primary producers can apply for a freight subsidy of up to \$5,000 per property to move essential materials such as fodder, building and fencing materials, machinery and animals for restocking.

Natural Disaster Loans—Eligible primary producers can apply for natural disaster loans of up to \$250,000 at a concessional rate.

Essential Working Capital Loans—Eligible primary producers can apply for concessional loans to continue the normal operation of their primary production enterprise.

DRFA Category C Assistance

Clean up and Recovery Grants—Producers in the worst hit areas can apply for recovery grants of up to \$25,000.

Properties outside disaster-declared areas:

Primary producers who have suffered significant damage as a result of a natural disaster event, but are not in a disaster-declared area, may apply for an Individual Disaster Stricken Property (IDSP) declaration. This declaration will give you access to assistance similar to Category B assistance of freight subsidies and concessional loans. (read more at: <https://www.daf.qld.gov.au/business-priorities/agriculture/disaster-recovery/natural-disaster>)

ASIC'S WARNINGS TO BEWARE OF SCAMS

The ASIC has reported a large increase in people falling victim to scams. Below are some of their advice:

How scammers get you to invest

To get you to give them your money, a scammer may tell you they're offering:

- high, quick returns and sometimes tax-free benefits
- share, mortgage or real estate investments, 'high return' schemes, option trading or foreign currency trading
- an opportunity with no risk or low risk, because you'll be able to sell anytime, get a refund for non-performance, have insured or 'guaranteed' transactions or be able to swap one investment for another
- inside information, the opportunity to invest before a public float or discounts for early bird investors.

Smart tip

Check MoneySmart's list of [companies you should not deal with](#), to see whether they are known scammers. Or simply use google to search for the Company name, and also the name of the Bank that they have asked you to deposit money into. This may provide you with information if the company or bank is known to be used in a scam

Warning signs of investment scams

The investment offer may be a scam if the person:

does not have an [Australian financial services \(AFS\) licence](#) or says they don't need one

- rings you repeatedly and tries to keep you on the phone, or emails you a lot to keep you engaged
- says you need to make a quick decision or you'll miss out on the deal
- claims to be a professional broker or portfolio manager and sounds professional, but does not have an AFS licence
- uses a name or claims to be associated with a reputable organisation to gain credibility e.g. NASDAQ, Bloomberg
- offers you a glossy prospectus or brochures, professional-looking share certificates or receipts, but their prospectus is not registered with ASIC.

How to protect yourself from investment scams

There are many things you can do to make sure you don't fall victim to an investment scam, including:

Always get independent [financial advice](#) before you invest.

- Use the information on this page to do your own checks on any investment opportunity.
- Recognise the danger signs to help you to identify an investment scam.
- Don't accept a message or friend request on social media from someone you do not know.
- Ensure your privacy settings are up to date on your social media accounts.
- Be wary of random or unexpected contact, particularly if you have replied to something on a website or social media platform.

If you think you have been the victim of an investment scam, you should [report it to ASIC](#) or your local police (include the company name, location and contact details, if you have them), stop sending any more money to the company - be wary of falling for a secondary scam or offers to recover your money.

REMOTE AREA ZONE REBATES

Remote areas are divided into two zones called Zone A and Zone B. To be eligible for the zone tax offset your **normal residence** must be in a zone.

Some items which could be used to prove the fact that your usual place of residence is within the Zone could include:

- Bank account statement with an address within the zone;
- A letter from your employer stating that you did reside within the zone;
- When completing the TFN Declaration – provide the address within the zone where you will be residing;
- Copies of accounts paid for utilities (such as gas, power, telephone etc) with the address shown as being within the zone.

If your usual place of residence is in a remote area, you also need to meet the following conditions to qualify for a zone tax offset.

You must live in a remote area (not necessarily continuously) for either:

- 183 days or more during 2018–19, or
- 183 days or more during the period 1 July 2017 – 30 June 2019 (including at least one day in this financial year) and you did not claim a zone tax offset in your 2017–18 tax return.

If you live in a zone for less than 183 days in 2018–19, you may still be able to claim a tax offset if you meet each of the following three conditions:

- you lived in a zone for a continuous period of less than five years after 1 July 2013
- the total of the days you were there in the first year and in 2018–19 is 183 or more
- you could not claim a zone tax offset in that first year because you were there less than 183 days.

In the 2015–16 Federal Budget, the government announced that it will exclude 'fly-in-fly-out' and 'drive-in-drive-out' (FIFO) workers from the Zone Tax Offset where their normal residence is not within a 'zone'.

The Government has requested a review of remote tax assistance. This will include the Zone Tax Offset, FBT remote area concessions, and remote area allowances. The review will commence in February 2019, with the final report due within 12 months.

PARTNERSHIP AGREEMENTS

There are advantages in formalising a business partnership by signing a partnership agreement. These agreements can be drawn up by the NTAA, or you might consider consulting your solicitor. Some advantages of preparing written partnership agreements are as follows:

Reduce the impact of disputes

A written partnership agreement provides evidence in the event of an internal or external dispute.

When a dispute arises, a written partnership agreement removes conjecture and assumption and can prove, amongst other things:

1. The parties' intention to form a partnership;
2. The term of the partnership and the circumstances in which it will continue or be dissolved (see below);
3. The joint ownership of assets and joint liability for debts;
4. The agreed splits with respect to profits; and
5. The dispute resolution methods to be adopted.

Legal disputes, even for small businesses, can be incredibly costly. A partnership agreement evidencing the above may significantly reduce costs and heartache.

Avoid unwanted dissolution

There are many ways that a partnership can be dissolved, including:

1. A partner dies;
2. A partner become insolvent or bankrupt;
3. The term of the written partnership agreement expires;
4. A partner gives written notice to the other partners of their intention to dissolve the partnership;
5. One or more partners can no longer legally own a business;
6. It is unlawful for the members of the partnership to carry on the business; or
7. A partner makes an application to the court and the court makes an order to dissolve the partnership.

In respect of the events in items 5 to 7 above, a dissolution will occur regardless of the agreement made between the parties.

A partnership will not automatically dissolve, however, where the events in items 1 to 4 occur and a partnership agreement provides otherwise.

Partners therefore have the opportunity to control the impact of the above events and make their own decisions in regards to whether or not the partnership should continue under particular circumstances.

Ability to reconstitute partnerships

The situation may occur where a partner wants to leave a partnership and have the continuing partners (as well as any incoming partners) take over the assets and liabilities of that partnership and have the partnership continue.

In partnership law, dissolution occurs in this situation and a new partnership is formed.

From the ATO's administrative perspective however, a partnership may be "reconstituted" and continue where:

1. There is at least one continuing partner who is a member of the partnership prior to and following the reconstitution;
2. There is an express or implied continuity clause in a partnership agreement;
3. All of the partnership assets remain substantially with the continuing partnership;
4. The nature of the enterprise remains substantially unchanged;
5. The client or customer base remains substantially unchanged; and
6. The business name or name of the firm remains unchanged.

Continued

‘Substantially’ in the Commissioner’s view means more than 50%, although each case is assessed on the basis of its particular facts.

The benefits of reconstituting a partnership are that the TFN, GST registration and ABN can be retained. Furthermore, the partnership will only be required to complete one income tax return for the income year in which the reconstitution took place.

Flexibility in partner salaries

The ATO looks for evidence of an agreement regarding the distribution of partnership profits, and pay partner salaries. The ATO has made it clear that any agreement to pay a ‘partnership salary’ to a partner after the end of the income year is not effective for tax purposes.

Although it is possible that the Commissioner will accept written resolutions of the partners or evidence of an oral agreement, the ATO would be more likely to accept, as prima facie evidence that an agreement exists, is a written partnership agreement.

INCREASING THE INSTANT ASSET WRITE-OFF FOR SMALL BUSINESS ENTITIES

In a speech on 29 January, Prime Minister Scott Morrison pledged to increase the small business instant asset write-off to \$25,000 from \$20,000.

The write-off will be available for small business with an annual turnover of less than \$10 million and will be extended for another year, running until 30 June 2020. It had been due to expire at the end of the current financial year.

This measure applies on and from **29 January 2019**.

Small business entities can claim an immediate deduction for depreciating assets that cost less than **\$25,000**, provided the asset is first acquired at or after 7.30 pm, on 12 May 2015, and first used or installed ready for use on or after 29 January 2019 but before **1 July 2020**.

It is important to note that the deduction will not be available if the asset is not ready for use by 30 June.

Small business entities can claim an immediate deduction for depreciating assets that cost less than \$1,000 if the asset is first used or installed ready for use on or after **1 July 2020**.

If the balance of a small business entity’s general small business pool is less than **\$25,000** at the end of an income year that ends on or after 29 January 2019 and before **1 July 2020**, the small business entity can claim a deduction for the entire balance of the pool.

At the time of writing this Bill had not yet received Royal Assent. It is currently before the House of Representatives.

FUEL TAX CREDIT RATES

Fuel tax credit rates change twice a year, in February and August, in line with the consumer price index (CPI). Rates may also change in July for fuel used in a heavy vehicle for travelling on public roads.

The **fuel tax credit calculator** includes all the current rates and is simple, quick and easy to use. You can use this calculator to work out the fuel tax credit amount to report on your Business activity statement (BAS).

See link: <https://www.ato.gov.au/Calculators-and-tools/Fuel-tax-credit-tools/>

Rates for fuel acquired from 4 February 2019 to 30 June 2019			
Eligible fuel type	Unit	Used in heavy vehicles for travelling on public roads	All other business uses (including to power auxiliary equipment of a heavy vehicle)
Liquid fuels, for example diesel or petrol	cents per litre	15.8	41.6
Blended fuels: B5, B20, E10	cents per litre	15.8	41.6

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