
# OFFICE NEWS

## Martin's retirement

Martin Livsey will be retiring at the end of June this year. After starting in 1989, Martin has been with the firm for 26 years. He was a partner of the firm and director of The Great Southern Zone. He formed close bonds with clients and staff and will be missed from the office. We wish him & Linda well in their future endeavours.

*Left: Martin with Mary Nenke, client at the 'Farmer on a Plate' event on 28 March*

## New receptionist

Our new receptionist Lauren Beck started with us on 25 May 2015. Lauren is previously from Katanning, then moved to Albany for a few years with her family and has come back to Katanning to join our team.

## Baby news

Congratulations to Marie Van Blommestein and her husband, Philip on the arrival of their little bundle of joy, John Albertus Van Blommestein on 2 March 2015.

Little John is doing very well. He is allowing Marie to come back to work three days a week: Wednesday, Thursday & Friday. We wish them all the best in this exciting time in their life.

*(Photo supplied by Simona Wells)*

## Biggest Morning Tea

The staff recently participated in Australia's Biggest Morning Tea. We enjoyed delicious food, many cups of tea and was able to raise some money for a wonderful cause.

## Employee vs Contractor

You may remember in a previous newsletter we brought to your attention the employee vs contractor relationship. The ATO has made this area a focal point in their pursuit to ensure employers are meeting their obligations and businesses are operating on a level playing field.

Key points to remember are:

- A worker isn't automatically a contractor just because they have an ABN or if you only need them during busy periods.
- Employees work in your business and are part of your business, whereas contractors run their own business independently.
- An employee is paid for the time worked such as an award rate, annual salary or hourly or weekly rate, whereas the contractor is paid for a result achieved based on the quote they provide.
- An employee cannot subcontract/delegate their work but a contractor can subcontract ie. pay another person to do the work.

- Employers have to meet their obligation for superannuation guarantee, currently 9.5% of employees' ordinary time earnings into a complying fund within 28 days of the end of each quarter. Super is still payable for contractors if they are deemed to be an employee and not a contractor.

There have been recent ATO visits to local businesses investigating payments to contractors who are merely or predominantly providing labour. Consequently if the ATO concludes that individuals are employees rather than contractors, the employers are exposed to shortfalls of superannuation and PAYG. There is also the additional risk of interest and penalties.

Just because a worker has a preference to work as a contractor doesn't mean your business should engage them as a contractor. Whether a worker is an employee or contractor is not a matter of choice, but depends entirely on the working arrangement and the specific terms and conditions under which the work is done.

## Federal Budget commentary (see RSM's Budget Review enclosed)

In Joe Hockey's second Federal Budget as treasurer, he made an emphatic statement
to small businesses: "START SPENDING".
But small businesses should be cautious.

A small business is one with a turnover of less than $2 million. This threshold has not changed since 2007, so in real terms, less proportion of businesses qualify since then. We hope future Federal Budgets will see this threshold indexed or increased to 2016 equivalent.

Those that are close to $2 million might need to keep an eye on their turnover. By earning one dollar more, these businesses will not be eligible for any of these concessions. Careful planning is needed to make sure they qualify before going on a spending spree.

The main concessions are:

- Immediate tax deduction for each and every item purchased up to $20,000 until June 2017.

- Small businesses operating through companies will see tax rates change to 28.5%.

- Non incorporated small businesses will receive a 5% tax discount which will be capped at $1,000 per individual per year. So if you are in a partnership, this $1,000 cash saving will be multiplied by the number of partners.

- CGT rollover concessions available to small businesses changing their business structure.

Back in 2009, government reintroduced the investment allowance on new asset purchases to stimulate the business economy for a short time. While this probably achieved its purpose, there were many examples of reckless spending, irresponsible equipment financing and over-capitalising which later caused these businesses some financial distress.

Despite Mr Hockey's statement, restraint is recommended and any expenditure should be already budgeted for, and be a management or operational decision rather than a tax-driven one.

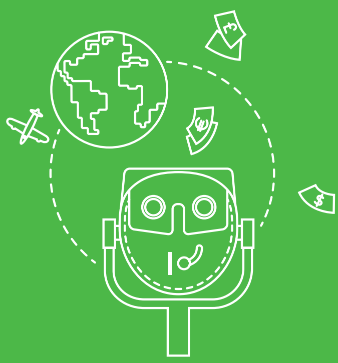
Other concessions in the Federal Budget for all agricultural businesses included some accelerated depreciation deductions for water infrastructure and fodder storage facilities. Initially this wasn't to be available until July 2016, but two weeks later, the Treasurer and the Minister for Agriculture announced that these concessions are now available from budget night.

All in all it appears to be a very friendly budget for small businesses in Australia.

## Cloud accounting

Cloud accounting, also referred to as "online accounting", is an accounting software that you would access using the Internet. This means you are able to access your business financials from anywhere and using any device, as long as you are connected to the internet.

Cloud based accounting software represents the next generation of record keeping technology and can be a more efficient and innovative way to monitor and follow the financial performance of your business.



Ideas and insight, collaboration and understanding.

The benefits of cloud accounting:

- Daily bank feeds and real time information – Your business' bank transactions can be retrieved daily. Daily bank feeds allow you to access information about the performance of your business in real time. This puts you in a better position to take advantage of opportunities, and to address financial issues faster than ever before. The software can recognise repeated transactions and prepare them automatically, negating the need for multiple entries.

- No more bank reconciliations required – All your bank transactions are imported directly to you accounting system, therefore no bank reconciliations are required.

- Work anywhere, anytime – Cloud accounting enables users to access their data from any location as long as they have an internet connection. This provides the ability to work from home, while travelling, or from a second location.

- Multi-user access – Cloud accounting programs make use of one data file with multi user functionality allowing you, your team, and importantly your accountant to access the same data and work on it simultaneously.

- Regular updates - Online software is regularly updated for changes in the accounting and taxation environment, such as new tax rates. Not only will this ensure your data is being treated correctly, it also eliminates the need to purchase and install regular software updates.

Cloud accounting is not for everyone:

- Internet speed is a potential limitation

- Some features of existing specialised agricultural packages, such as Agrimaster are not available in these cloud based programs.

There are many cloud accounting programs available. The most common ones are Xero, Quickbooks Online, MYOB and Reckon One. We have no preference on any of these programs and will review each business circumstance independently to determine which program will suit your needs.

We have first-hand experience of the benefits our clients who converted to cloud accounting programs received. Please get in contact with our office if you want to find out more about cloud accounting.

## Superannuation and preparing for year ended 30 June 2015

There are a number of issues that a business owner must consider before the end of the financial year including a review of bad debts, stocktake, farm management deposits and bringing forward of expenses. However, one of the more important issues is that of superannuation.

If you have employees within your business, you need to ensure that your Superannuation Guarantee requirements have been met. Superannuation Guarantee is now frozen at 9.5% for the whole of the 2015 financial year until 1 July 2021, from which date it will increase by 0.5% per year. Employers must ensure that superannuation contributions are made by no later than 28 July 2015 for the June 2015 quarter.

Personal superannuation contributions must be made before 30 June 2015 and received by the fund before that date to qualify for a deduction in the 2015 financial year. The concessional contributions cap from 1 July 2014 is $30,000 for all individuals unless you were 49 years of age or older on 30 June 2014. If you satisfy this age requirement, your increased concessional contribution limit is $35,000p.a. The non-concessional contribution cap for the year ended 30 June 2015 is $180,000p.a. or a total of $540,000 on a bring forward basis over a 3-year period (provided that there was no bring forward event in either the years ended 30 June 2013 or 30 June 2014).

## Small businesses instant asset write-off for items under $20,000

Small businesses will be able to claim an immediate tax deduction for each asset that costs less than $20,000 (net of GST credits), to the extent the asset is used for tax-deductible purposes.

This new threshold of $20,000 applies for a limited time only for depreciating assets acquired and installed ready for use between 13 May 2015 and 30 June 2017. After 30 June 2017, the threshold will revert back to $1,000.

Assets that cost $20,000 or more will not be eligible for the immediate deduction. Instead, they can be deducted over time using a small business pool. The small business pool provides a deduction of 15% in the first year and 30% each year thereafter until it is all deducted.

## Small business entities

Only small businesses that meet the definition of a small business entity (SBE) will be eligible for the instant write-off. SBEs are broadly all those businesses with an aggregate turnover of less than $2 million.

## Does the $20,000 threshold include or exclude GST?

The $20,000 cost threshold is net of any GST credits the business can claim. This means the price of each asset can be $19,999 plus GST if the small business is registered for GST and can claim a credit for the GST on their business activity statement.

## New and second hand assets

Both new and second hand assets can be eligible for the instant write-off.

## Are all assets eligible?

Most assets will be eligible for the instant write-off, except a small number of exclusions. Among the excluded assets are trading stock items, land, non-farming buildings and capital works, horticultural plants and software development pools. These items all have their own tax treatment.Farm equipment and vehicles will be eligible assets.

**Case study**

Jack and Sue are carrying on a primary production business as a partnership. Their turnover is less than $2 million per annum and they are classified as a small business entity. Jack and Sue buy and install a new farm machinery item for $19,999 plus GST for use in their farm. They are registered for GST. Jack and Sue will be able to claim an immediate deduction for the $19,999 cost. They will also be able to claim a GST input tax credit of $1,999. No further depreciation deductions will be available over the life of the asset.

The immediate deduction will reduce any tax that Jack and Sue pay when they lodge their tax returns for the year they acquire and install the item, potentially providing them with a short term cash flow and tax benefit compared with existing arrangements.

## Water facilities for primary producers

Small business farmers can choose to claim an instant write-off, rather than the usual three year write-off, for water facility items costing less than $20,000. Water facilities are those items used to conserve or convey water on the farm (e.g. irrigation equipment, tanks, troughs).

## Other tax incentives for primary producers

The start date of the accelerated depreciation measure announced in the 2015 Budget available for all farmers regardless of the size of their farm has been brought forward to 12 May 2015 from 1 July 2016.

Australian farmers can now claim a tax deduction on all capital expenditure on water facilities, fodder storage assets and fencing incurred since the 2015 Budget was handed down at 7:30 pm on 12 May 2015. Farmers can fully deduct the cost of water facilities and fencing in the year they are purchased and deduct the cost of fodder storage assets such as silos and tanks used to store grain and animal feed over three years. Farms with turnover of less than $2 million qualify as a small business, and are therefore also eligible to immediately write-off all asset purchases up to $20,000. These announced changes are still to be legislated.

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