

## CLIENT SOLUTIONS – Autumn 2014

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## NASH SOLUTIONS – Practice News

Our office welcomes new staff members Brendon Colville (Financial Planning Client Services Manager) and Nicola Kerr (Accountant). After many years of service, we bid farewell to Suzanne McCarthy and wish her the best with her new endeavours.

We also take this opportunity to congratulate our receptionist Courtney Mobbs for completing her certificate 3 in business admin.

At Nash Solutions our goal is to provide holistic solutions to client problems, to grow our client businesses and investments and to accumulate client wealth for their retirement. We seek to deliver this by providing accurate, timely and proactive advice.

We value our relationship and if you have any like-minded business associates who could benefit from Nash Solutions services then we would be most grateful for your referral.

# CLIENT PROCESSING – 2014 Taxation Compliance

Tax Lodgement	Due Dates#
March 2014 BAS	28/04/14
Monthly BAS/IAS	21st of next month
Larger Companies, Superfunds & Individuals	31/03/14
Taxable Individual, Company and Superfunds	15/05/14
Fringe Benefits Tax Returns	28/05/14
Non-Tax/Refund Individual, Company and Superfunds	05/06/14

# Further extension may be available, contact us if you have an exceptional circumstance which might delay your lodgement. We remind all clients to maintain records for lodgements.



## TAX OFFICE SOLUTIONS- Instant Asset Write Off

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"Tom, you're an asset to the company.  
It's just that you're depreciating."

### Instant asset write-off and simplified depreciation

As part of its 2013 election commitments, the government announced changes to the instant asset write-off provisions for small business. The changes are expected to come into effect from 1 January 2014.

From the 2012–13 income year small businesses have been able to write-off depreciating assets costing less than \$6,500 in the income year in which they start to use the asset, or have it installed ready for use. They can also depreciate most other assets in the general small business pool at a rate of 15% in the first year and 30% thereafter.

If the proposed changes are enacted, the threshold will change and only assets costing less than \$1,000 (acquired and installed ready for use after 31 December 2013) will be eligible for immediate write-off under the general Small Business Entity provisions. Assets costing \$1,000 or more will need to be depreciated in the general small business pool.

Assets costing less than \$6,500, acquired and installed ready for use by the small business between 1 July 2013 and 31 December 2013, will still be eligible to be immediately written-off.

For the 2012-13 income year onwards, small businesses that purchase a vehicle can now also claim an additional deduction of up to \$5000 in the income year it is purchased.

This changes the way the depreciation deduction for a motor vehicle is calculated in its first year.

The change effectively brings forward the depreciation deduction to earlier in the vehicle's life.

Where the vehicle is used exclusively for business and has not been written off immediately under the instant asset write off, the cost of the motor vehicle is added to the general small business pool and the deduction is made of up of \$5000 plus 15 per cent of the vehicles remaining value.

For example, if a motor vehicle costs \$20,000 and is used exclusively in your business then under the new rules the deduction in the first income year will be \$7,250. That is \$5,000 plus 15 per cent of the \$15,000 remaining value. Under the old rules the deduction would have been \$3,000 in the first year.

What is even better, is the long life pool no longer exists. This means that if you had a long-life pool, its closing balance is rolled over to form part of the opening balance of the general small business pool for the 2012–13 income year. The general small business pool is depreciated at a rate of 30 per cent. Newly acquired assets are deducted at 15 per cent (half the pool rate) for the first income year.

## TECHNICAL ISSUES – New Anti-Bullying Laws



### What it means for you

From 1 January 2014, the Fair Work Commission will have jurisdiction to deal with bullying complaints raised and powers to make an order for the bullying to stop.

Whilst the incoming workplace bullying provisions under the Fair Work Act 2009(Cth) will not create powers to make orders on reinstatement or compensation, there will nevertheless be increased pressure and onus on businesses to be proactive about preventing workplace bullying and to promptly deal with any related complaints, in order to avoid an intervention by the Commission. This will include:

- having adequate policies and procedures in place;

- appropriately investigating complaints and implementing outcomes of investigation;
- conducting training of managers, supervisors and staff on bullying, harassment and discrimination issues; and
- ensuring all employees understand and sign off on the policy.

Will you be prepared to manage your bullying complaints, such as your Workers Compensation psychological claims in the Fair Work Commission from 1 January 2014?

## What should I be doing in preparation of the new laws?

You should consider whether you can answer “yes” to the following questions:

- Do you have the systems and training in place to manage bullying claims?
- Do you have a policy about bullying in your workplace?
- Have your managers been trained in effective management of employees so as to avoid claims?
- Have your staff been trained in appropriate workplace behaviour?
- Do you have satisfactory arrangements for monitoring and a process for managing complaints?
- Are you satisfied that your business has done all it should reasonably do to protect the business and the board against adverse orders and penalties?

## How can I organise training for my business?

The NSW Business Chamber is conducting courses to assist you with training on the new Bullying Laws.

Please contact us if you require any assistance on this issue.



### High risk industries targeted for superannuation obligations

Despite the importance of super, some employers do not always get super obligations for their employee's right. Employers in the hairdressing and beauty, hospitality, clothing retailing and management advice and consulting industries have been identified as having a higher risk of not meeting their super obligations.

The ATO are currently running an education campaign for business owners in these industries to help them better understand their super obligations.

Further, from July 2014 the ATO will be undertaking audits of employers who continue to not meet super obligations for their employees.

### How much to pay and who to pay it to

Generally, your employees are eligible for super if all of the following apply:

- they are 18 years old or over (those under 18 must work more than 30 hours per week before becoming eligible)
- they are paid \$450 (before tax) or more in a calendar month
- they work on a full-time, part-time or casual basis.

The minimum super you must pay is 9.25% of each eligible employee's 'ordinary time earnings' - basically, 9.25% of the amount they earn for their ordinary hours of work. You can generally claim a tax deduction for super contributions if you pay the correct amount on time.

You must make payments at least four times a year by the quarterly due dates:

- 28 October
- 28 January
- 28 April
- 28 July.

## **What to do if you miss a quarterly deadline**

If you're late paying your employee's super, or don't pay enough, you must lodge a Superannuation guarantee charge statement with the ATO. It is important to note that nominal interest continues to accrue at 10% until the statement is lodged. This is even if you have paid the super in full but paid late. The longer you delay lodging a statement the more interest will be accrued.

## **You may have to pay super for contractors**

You must pay super contributions for contractors you pay under a contract that is wholly or principally for the labour of that person. This is because they are considered employees for the purpose of super guarantee, even if they have an ABN.

## **You need to offer employees a choice of fund**

Your employees may be eligible to choose which super fund their super contributions are paid into.

You need to provide your eligible employees with a Standard choice form within 28 days of them starting to work for you.

Employees are not required to complete the form if they don't want to nominate a fund, but you must give them the choice if they are eligible.

## Keep accurate records

You must keep records that show:

- the amount of super you paid for each employee and how it was calculated
- that you have offered your eligible employees a choice of super fund
- how you calculated any reportable employer super contributions.

## Pass on your employee's TFN

You must pass on your employee's tax file number (TFN) to their super fund within 14 days of receiving it, or when you make the first contribution to their super fund, whichever occurs last. If you don't pass on your employee's TFN, you will be liable for a penalty.

We remind you that if you are a salaried director of your own company or trust business, then you are an employee for superannuation guarantee purposes.

If you have any concerns about meeting your employer superannuation obligation then please contact us.



## FINANCIAL PLANNING – Economic Updates

We remind clients that we provide a full range of financial planning services including investments, savings and retirement plans, life and income protection insurance, superannuation, super pension and Centrelink age pension analysis using our 'DomaCom Guided Planning System'.



A key business report has identified the recovery in the retail and housing sectors and the lower Australian dollar as highlights for the domestic economy this year.

However, the Business Outlook by Deloitte-Access Economics also says the end of the resource-related construction boom, and caution among the corporate sector and consumers will result in below-trend growth in 2014.

The report predicts the Reserve Bank will not start raising interest rates until next year, and suggests that some Australian banks may even cut their lending rates in the months ahead. A director at Deloitte Access Economics, Chris Richardson, says lower global wholesale funding costs could see some Australian banks reward mortgage customers with an independent rate cut.

"It's not a done deal, but it's the wildcard to watch out for on the interest rate front in 2014," he said.

Mr Richardson says the possibility of independent rate cuts is made possible by the roll-over of some expensive debt taken on by the banks at the height of the financial crisis, which can now be replaced at much lower rates.

"The next couple of months will actually see a number of those loans that cost a fortune finally falling due and getting rolled over and the banks can now borrow more cheaply than they used to," he explained.

"That raises the potential that one of the big banks will blink sometime in the next three or four months - that they might cut mortgage rates even if the Reserve Bank does nothing."

The Deloitte-Access Economics report is also forecasting the Australian dollar to keep falling. Its latest Business Outlook says as stimulus measures are scaled back across the world, the Australian dollar will continue to decline and a return to parity with the greenback is off the cards. Mr Richardson says he expects, by 2017, the Australian dollar will be buying about 80 US cents. "It was never going to permanently stay above parity with the US dollar," he said.

"That was the result of some really unusual things and one of those things - the fact that the central bank in the US and indeed others around the world have been printing money like crazy - that's now starting to slow. So some of the things that had the Australian dollar very high, they're no longer true."

The report also suggests unemployment could edge just above 6 per cent.

## FINANCE

### Thinking of buying a new vehicle?

We remind clients that car dealers play many tricks with new car prices, trade values and in-house finance in order to spruik up their 'deal' and at the same time extract maximum profit. We are in a position to advise you on how to get the best actual deal when trading.



### Planning points:

- Find your new vehicle / plant
- Negotiate a cash price
- Call us for effective financing of the deal

## SPECIAL TOPIC – SMSFs VERSUS INDUSTRY FUNDS - THE VERDICT IS IN!

*This article looks at the cost and performance of Self-Managed Superannuation Funds (SMSFs) versus industry/retail funds. While there are many factors that can influence cost & performance of your superannuation fund, the findings of a recent ASIC report make interesting reading. This article is not intended as financial advice but rather a presentation of data & objective comment on that data.*

### Popularity

SMSFs are now more popular than ever! The latest statistics released by the Tax Office indicate that as at 30 June 2013, a record 509,362 SMSFs were in existence, with more than 35,000 SMSFs established in the past year alone (670 created each week!). A noteworthy statistic from the latest data is that the number of SMSF windups has dropped dramatically in recent times, down by more than 60% in the past year alone:

### SMSF Population Table

	June 2008	June 2009	June 2010	June 2011	June 2012	June 2013
Establishments	31,628	32,596	29,924	33,198	41,017	35,776
Wind Ups	6,113	8,743	14,975	6,680	6,178	2,230
Total number of SMSFs	375,657	339,510	414,459	440,977	475,816	509,362
Total members of SMSFs	713,077	758,827	788,026	838,282	899,539	963,852

Source - Tax Office Self Managed Superannuation Fund Statistical Report June 2013

## Performance

Although many factors impact the performance of a superannuation fund, in a recent comparison commissioned by ASIC, SMSFs came out in front when compared to industry/retail funds in recent years:

### Comparison of Aggregate Investment Returns\*

YEAR END 30 JUNE	INDUSTRY/RETAIL FUNDS	SMSFs
2005	13.2%	17.4%
2006	14%	16%
2007	15.6%	20.1%
2008	-7.6%	-4%
2009	-11.9%	-4.5%
2010	9.8%	8.3%
2011	8.7%	11.2%

Source - ASIC Costs of Operating SMSFs (2013 - prepared by Rice Warner Actuaries)

\*gross of fees

While this raw data is useful, the picture is somewhat more complex with the ASIC report indicating that to be competitive with industry/retail funds, an SMSF needs a minimum combined balance of \$200,000. This finding concurs with a publication on the Tax Office's website Thinking About SMSFs? which states that to be competitive with industry/retail funds, a combined balance of \$200,000 in superannuation savings is the minimum figure you ideally should have before you contemplate starting an SMSF.

## Costs & Administration

The other factors that impact on a decision to start & keep going with an SMSF are the annual costs & also the administration. On the issue of costs, according to the Tax Office the minimum costs of running a simple SMSF may be around \$2,000 per year including the annual supervisory levy (plus any investment advice you may receive). Comparing costs, the ASIC report finds that:

- You would not be better off in an SMSF (compared to an industry/retail fund) where the combined superannuation balances of the members are less than \$200,000 unless the members did the administration work themselves.
- Where the combined balances are between \$200,000 & \$500,000, SMSFs are competitive with industry/retail funds provided the SMSF members do some of the administration work themselves.
- Where the combined balances exceed \$500,000, an SMSF becomes the cheapest option.
- One of the problems that arises once SMSFs commence is that many people who start them do not at the outset realise the extent & complexity of the administrative tasks that must be undertaken including:
  - Appointing an approved audit each year;
  - Ensuring your SMSF is fully compliant with the law, including the complex investment & contribution rules;
  - Accepting contributions & paying benefits in accordance with the law & the SMSFs rules;
  - Lodging annual returns;
  - Formulating, reviewing & updating your investment strategy each year (and complying with this strategy);
  - Record keeping.

## Take Home Message

The decision to join the many people who are starting an SMSF is ultimately a decision to be made in consultation with your advisors. While SMSFs can be very competitive & outperform industry/retail funds, this will ultimately depend on the quality of investment decisions that are made & the extent to which you outsource the tasks that come with running an SMSF.

**Contributed by Brendon Colville, Financial Planning Client Services Manager**

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## “Cashflow is critical for business growth and survival. Is your business generating the returns you require and is it maximising your wealth?”

**Nash Solutions Business Services** can assist you with:

### **Accounting, book-keeping and day to day business administration services**

#### **Taxation advice**, including:

- Year-end tax planning
- CGT and business rollovers
- GST
- Negative Gearing

#### **Small Business advice**, including:

- Structuring
- Incorporation and company secretarial services
- New business start up
- Business acquisitions and valuations
- Business Sale

#### **Tax return and BAS preparation**

#### **Superannuation**, including:

- Self Managed
- Employer Superannuation Funds
- CGT rollovers on sale of business

#### **Business analysis**, including:

- Financial Analysis
- Management accounting

#### **Business planning**, including:

- Financial Analysis
- Management accounting

#### **Financing**, including:

- Review of current finance arrangements
- Equipment and motor vehicle finance

#### **Computerised Records**, including:

- Accounting related assistance generally
- MYOB software and computer support
- Banklink

#### **Audits**

- Self Managed Super Funds
- Clubs and Associations
- Companies

## “Savings plans are necessary to ensure sufficient funds are available for your retirement. Will you live the comfortable retirement you dream of?”

**Nash Solutions Financial Planning Services** can assist you with:

#### **Children’s education plans**, including

- Imputation Bonds

#### **Direct Share Investment**

#### **Superannuation**, including:

- Individuals
- Employer group policies
- Self Managed Superannuation Funds

#### **Personal Insurance**, including:

- Life
- Total & Permanent Disablement
- Income Protection

#### **Finance**, including:

- Debt consolidation
- Housing & Commercial Loans
- Investment Loans
- Vehicle, Plant & Equipment

#### **Wealthvue retirement and lifestyle planning analysis**

- Income streams and capital drawdowns
- Centrelink benefit planning and analysis for age pension retirees

#### **Estate succession planning**

#### **Aged Care Planning**

## “3 in every 4 Australians will be diagnosed with a serious illness during their working life and will spend many months off work. Will your family live in poverty?”