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Christmas Newsletter 2014

Dear Clients,

From all the staff at Trevor Wolff & Associates, we wish you and yours all the very best for Christmas and a healthy and prosperous New Year.

Please note that our office will be closed from 11.00 am on Friday 19 December 2014 until 9.00 am Monday 12 January 2015.

Reminder to employers to pay your Superannuation Guarantee **before 28 January**.

BAS payers: Please note that your next BAS has to be lodged by **28 February**. The Tax Office will not allow any extensions after this date and may apply Late Lodgement Penalties. Please get your information into us early.

Penalties for failure to lodge on time

Penalties are imposed at 1 penalty unit at $170 for each 28 days the return is lodged late. The penalties are not tax deductible.

Centrelink clients must lodge tax return by 30 June 2015 for Family Assistance lump sum payment

Taxpayers who receive or expect to receive Family Tax Benefit, Child Care Benefit or Single Income Family Supplement (SIFS) claims for the 2013-14 financial year must lodge their claim and their tax return by the 30 June 2015 to be eligible.

Employers:- Christmas Time

It's that time of year where you would like to reward staff and clients for their loyalty and effort put into your business.

What can be claimed as a tax deduction for your Christmas expenses? Unfortunately, Scrooge, the Tax Office, would like to spoil the tax deductibility of the festivities.

Christmas parties are defined as entertainment.

Entertainment means:

a) Entertainment by the way of food, drink or recreation, or
b) Accommodation or travel to do with providing entertainment by way of food, drink or recreation.

Recreation is defined as including amusement, sport or similar leisure-time pursuits, i.e. golf days, boat cruises and bowling nights are common activities which constitute recreation. Transporting employees to and from a Christmas event would constitute meal entertainment under the extended income tax definition.

Entertainment could be subject to Fringe Benefits Tax when provided to employees where the entertainment costs exceed $300 per employee (minor benefit) per year.

It should be noted where entertainment is not subject to Fringe Benefits Tax (FBT) then you are unable to claim a tax deduction or GST credits for that expense.

There is also no FBT or tax deduction available where the entertainment is provided to non-employees, i.e. employee's families and clients.

That business dinner. If you take a client to dinner your costs may be tax deductible if FBT is payable. The client's costs are not tax deductible nor subject to FBT and no GST credits can be claimed.

Question: Can I claim staff or client gifts as a tax deduction?

Answer: Yes or No – it depends

If the gift falls under entertainment then **No**. There is no tax deduction nor FBT to pay where the employee/client cost is less than $300 (minor benefit).

Entertainment normally relates to immediate consumption of the item of property. Examples of items of property that would generally constitute entertainment are:

- Glasses of champagne
- Hot meals
- Theatre tickets
- Holiday accommodation
- Cruises
- Hire Entertainers
- Hired sporting equipment

If you provide the above thank you gifts to your referrals, customers, or staff, these expenses would not be tax deductible.

But, turning a negative into a positive, if you provide the following types of gifts, then you can claim it as a tax deduction: (Non entertainment gift which costs less than $300 per staff member/client).

Yes, you can claim the following:

- Bottled spirits
- Bottles or cartons of wine, beer
- TV sets
- DVDs
- Computers

- Gift vouchers to generic organisations such as Myer, David Jones, Westfield, etc. If the vouchers are for Ticketek, then no deduction would be available.

If the gift is not tax deductible or subject to FBT then GST is also not claimable. If the gift can be claimed as a tax deduction the GST can be claimed on the cost if registered for GST.

Christmas is the season when you buy this year's gifts with next year's money.

An idea – making that Christmas party tax deductible. Staff could be paid a bonus, about the cost of meals and drinks. This amount including tax would be included in their annual income. You would also pay the 9.5% super guarantee on the bonus.

The staff member could put the net bonus towards the cost of the Christmas party.

Advantages – the bonus, being wages, is tax deductible and the staff member is not out-of-pocket for the Christmas party and could make a small profit if their Christmas party costs did not exceed the bonus.

Where a Christmas party is held at the business premises on a working day with only employees and clients attending and only finger food or light meal is provided and no alcohol is provided, then the cost is tax deductible. FBT is not payable but a credit for the GST can be claimed.

Changes to Centrelink

The Australian government has announced that from 1 January account based super pensions starting after that date, may be used to reduce Centrelink benefits. Generally if arrangements are in place for the account based super pension to commence before 1 January then there should be no change to the way Centrelink calculates your benefits.

Any new arrangements for super pensions after 1 January will be assessed by Centrelink when calculating entitlement to Centrelink benefits. If you have questions whether these changes will affect you, contact your superannuation provider or investment adviser as soon as you can.

Family Tax Benefit B – limited to families with children under six years

Eligibility for FTB Part B will be limited to families whose youngest child is younger than six years of age from 1 July 2015. During the period between 1 July 2015 and 30 June 2017, existing recipients with a youngest child aged six years and over will not be affected until 1 July 2017.

Reduction of primary earner income limit to $100,000

The primary earner income limit for FTB Part B will reduce to $100,000 from $150,000. Families with primary earner income of more than $100,000 will no longer be eligible to receive FTB Part B. This change applies automatically for new and existing recipients. As part of this measure the **Dependant (Invalid and Carer) Tax Offset** income threshold will also reduce to $100,000.

Tax Changes

Refunds for the 2015 tax year may be reduced under the measures taken by our government in an effort to reduce the deficits and to be able to increase spending.

From 1 July 2015, the **Mature Age Tax Offset** has been replaced with a Centrelink payment for businesses hiring unemployed persons over 50 who have been out of work for more than 6 months.

Over the years our entitlement to a dependant spouse rebate/offset has been eroded. Last year, to be eligible for the rebate, the dependant spouse had to be born before 1952. As from 1 July 2014, the **Dependant Spouse Rebate** has been withdrawn.

Is your Will up to date?

Life can change in a matter of moments and whilst it's not something we like to talk about, having a valid and up-to-date Will is crucial to ensure your estate is distributed according to your wishes.

Dying without a Will, otherwise known as dying intestate, results in your assets being distributed according to a pre-determined formula with certain family members receiving a defined percentage of your assets despite what you may have wished.

As your Will expresses your wishes at a particular point in time, chances are it may not be relevant if you last updated your Will many years ago. If any of the following have occurred, you need to update your Will as a matter of priority:

- Marriage
- Separation or divorce
- Started a de-facto relationship
- Having children or grandchildren
- Death of a spouse
- The executor named in the Will has died or become ill and unable to handle the responsibility
- A beneficiary named in your Will has died

Having an up-to-date Will that reflects your wishes prevents loved ones from unnecessary financial hardship and emotional stress.

ATO targeting work-related deductions

You are liable to pay income tax on your taxable income. To reduce your taxable income you can claim deductions for work-related expenses. Currently the ATO is focusing on the work-related expense claims in relation to:

1. Using your computer, phone or other electronic devices to perform duties;
2. Transporting bulky tools and equipment;
3. Overnight travel.

If an employer requires you to use your computer, phone or other electronic devices for work purposes, you may be able to claim a deduction for that portion of your expenses. To claim a deduction you must be able to show how you use the device for work. Additionally, you should keep a diary with the details of your work-related use for 1 month each year.

Generally you cannot claim a deduction for travel between home and work. A deduction is allowed if you need to transport bulky tools and equipment. To claim a deduction you must comply with three rules and keep the necessary records. Firstly, you have to demonstrate that you need to use bulky tools to do your job. Secondly, your employer expects you to transport this equipment. Finally, there is no secure area to store the equipment at your workplace.

If you go on a work-related trip and stay overnight (e.g. interstate conference) you may be able to claim deductions for meals, accommodation and other incidental costs.

If your tax return is selected for a review or an audit and you don't keep the necessary records, your claim for a deduction may be disallowed and penalties may be imposed.

The best gifts in life will never be found under a Christmas tree,

Those gifts are friends, family, kids and the ones you love

Specialising in:
Personal, Business, Partnership, Company, Trust & Super Returns