In the Loop

APRIL 2019`

KILARA GROUP
COMPLETE FINANCIAL SOLUTIONS

144-146 Sanger Street
PO Box 115
Corowa NSW 2646

Phone: 02 6033 1133
Fax: 02 6033 3604

Level 6, 455 Bourke Street
Melbourne VIC 3000

9 Ely Street
Wangaratta VIC 3677

Phone: 03 5721 8381

Email: kg@kilara.com.au
www.kilara.com.au

KILARA PARTNERS
CERTIFIED PRACTISING ACCOUNTANTS

ABN 88 280 614 412
Partners
Malcolm I McLean CPA
Andrew R Holmes CPA

KILARA FINANCIAL SOLUTIONS
FINANCIAL PLANNERS

Phone: 02 6035 2150

Kilara Financial Solutions Pty Ltd
ABN 41 003 636 897
AFSL No 244530

Financial Advisors
Malcolm I McLean
Malcolm Lake

KILARA SUPER SOLUTIONS
CONSULTANTS & ADMINISTRATORS

PC Information Systems Pty Ltd
ACN 002 468 528

As Trustee For
Dowmac Services Trust No 2
ABN 69 641 061 691
Trading As
Kilara Super Solutions

Superannuation Specialists

Malcolm I McLean CPA,SSA
SMSF Specialist Advisor™

Stephen Edwards CPA,SSA
SMSF Specialist Advisor™

Andrew R Holmes CPA,SSA
SMSF Specialist Advisor™

IN THIS ISSUE:

News from the Office

Staff Accolades

Some of our staff have had a very successful start to this year.

Tegan Tillack completed her Bachelor of Commerce in Accounting and is about to start her post graduate studies.

Lisa Newnham one of our senior accountants has been included in the Executive Dean's List for studies undertaken in the 2018 academic year at Charles Sturt University.

After finishing these subjects she has now completed her Master of Professional Accounting with distinction.

To be included in the Executive Dean's List a student must have:

- Achieved a grade of Distinction or High Distinction in all coursework subjects undertaken.

Lisa achieved one high Distinction and 3 Distinctions for the four subjects she studied.

Brad Goyne has been awarded the Crowe Horwath Second Year Accounting Prize for Charles Sturt University Albury-Wodonga campus for the 2018 academic year.

Brad achieved the highest result for internal enrolled students of the Management Accounting subject.

Tenaya McGill has also been awarded the CPA Australia Prize (1st year Albury-Wodonga Campus). This is presented to the student on the Albury-Wodonga campus who achieved the best first year results in the Bachelor of Accounting course for the 2018 Academic year.

Tenaya has also been awarded the Chartered Accountants Australia and New Zealand Prize in First Year Accounting (Albury-Wodonga). This is presented to the student enrolled in the first year of the Bachelor of Accounting course who achieved the highest result in the subject Accounting 2 for the Albury-Wodonga campus.

Lisa, Brad and Tenaya have all been invited to an awards ceremony in May where they will be dually presented with their awards for these wonderful achievements.

Clients in Focus

Outback Harvest

Outback Harvest is owned and operated by the McNaul family: Shane, Lyn and son Fraser, located near the township of Wakool in the Southern Riverina of NSW. The family recently attended the Weekly Times Farmer of the Year awards after being nominated for Innovative Farmer of the year for diversification into growing and developing the ancient grain known as Teff.

Growing wheat, corn and rice, mixed with some cattle and sheep have been McNaul's traditional crop on their 1820-hectare property. A couple of years ago they needed to diversify their cropping program to become more sustainable and innovative.

The McNaul family added the ancient Ethiopian grain to their operation in 2014 after trialling both Quinoa and Teff. Where quinoa failed, Teff was a success.

In the last five years the family have thrown themselves into perfecting the art of growing the gluten free wholegrain.

Fraser has been working with the CSIRO and Food Innovation Australia Ltd (FIAL) to develop certified gluten-free foods made from Teff.

The McNaul's Outback Harvest range includes teff grain and flour, as well as pancake, bread and muffin mixes, and teff pasta. All gluten-free. They grow two varieties – brown and ivory.

The McNaul's are passionate about diversity and sustainability. Recent seasons have been tough, but the family has invested effort and research into building a strong business plan with the consumer in mind, with a focus on educating people about the product.

For more information on Outback Harvest or the product you can visit the following website

https://outbackharvest.com.au/#home

Clients in Focus

THE GREEN PIPE
100% AUSTRALIAN

The Green Pipe is a company that that has been manufacturing medium to large diameter recycled plastic pipe in Moama NSW, since July 1999.

The Green Pipe is made from 100% recycled plastic (high density polyethylene) including a QA requirement of a minimum of 95% food grade containers (almost entirely from household collected post-consumer milk & orange juice grade bottles).

The Green Pipe is widely recognised as a cost effective and environmentally friendly alternative for stormwater and drainage systems. Approved and used by councils throughout Australia for stormwater and sewage re-use systems. The Green Pipe is providing a real opportunity for Government and non-government organisations to promote their green credentials. Other products in the range include various fittings, culverts and headwalls.

Using a unique low energy manufacturing process the pipe has a carbon footprint of approximately 50% of competitive virgin products. This coupled with its lightweight and ease of nesting and handling for transportation adds further to this energy saving attribute.

The Green Pipe is manufactured in 6 metre lengths in 6 different diameters from 250mm to 600mm using rubber ring joints for continuous lengths.

The Green Pipe is a major supplier to both the rural and forestry industries, as well as approval by VicRoads for all drainage and stormwater applications.

For more information visit the following website

http://thegreenpipe.com.au/

Phone:03 5480 7060

Email: admin@thegreenpipe.com.au

Changes to deductions for non-compliant payments to workers

Business' need to know that the rules for claiming deductions for payments to workers are changing. From 1 July 2019, they can only claim deductions for payments made to workers where they've met the pay as you go (PAYG) withholding obligation for that payment.

Where the PAYG withholding rules require an amount to be withheld, your client must:

- withhold the amount from the payment before they pay their worker
- report that amount to the ATO.

Business' will not lose their deduction if they withhold:

- an incorrect amount by mistake – to minimise any penalties you can correct your client's mistake by lodging a voluntary disclosure in the approved form.
- the correct amount but make a mistake when reporting – help your client to correct their mistake as soon as possible.

Business' will only lose their deduction if there is a withholding or reporting requirement and no amount is withheld or reported to the Australian Taxation Office, unless they make a voluntary disclosure in the approved form before the ATO tell them that they have begun an examination of their affairs.

Australian Taxation Office

Base rate entity company tax rate

From the 2017–18 income year, companies that are base rate entities must apply the lower 27.5% company tax rate.
A base rate entity is a company that both:

- has an aggregated turnover less than the aggregated turnover threshold – which is $25 million for the 2017–18 income year
- 80% or less of their assessable income is base rate entity passive income – this replaces the requirement to be carrying on a business.

Base rate entity passive income is:

- corporate distributions and franking credits on these distributions
- royalties and rent
- interest income (some exceptions apply)
- gains on qualifying securities
- a net capital gain
- an amount included in the assessable income of a partner in a partnership or a beneficiary of a trust, to the extent it is traceable (either directly or indirectly) to an amount that is otherwise base rate entity passive income.

Future year company tax rates

The lower company tax rate applies to base rate entities with an aggregated turnover less than $50 million from the 2018–19 income year. The rate will then reduce to 25% by the 2021–22 income year.

Table 1: Progressive changes to the company tax rate

Income year	Aggregated turnover threshold	Tax rate for base rate entities under the threshold	Tax rate for all other companies
2017–18	$25m	27.5%	30.0%
2018–19 to 2019–20	$50m	27.5%	30.0%
2020–21	$50m	26.0%	30.0%
2021–22	$50m	25.0%	30.0%

Instant asset write-off

Using the simplified depreciation rules, assets costing less than the instant asset write-off threshold are written off in the year they are bought and used or installed ready-for-use. This applies irrespective of whether the asset is purchased new or second-hand.

The current threshold is $20,000. On 29 January 2019, the Prime Minister announced that the government will introduce legislation to increase the $20,000 instant asset write-off threshold to $25,000 from 29 January 2019 until 30 June 2020. **This proposal is not yet law.**

Extension of the taxable payments reporting system (TPRS) to contractors in the courier and cleaning industries.

On 9 May 2017 the Government announced that from 1 July 2018 businesses that supply courier or cleaning services will need to report payments made to contractors if the payments are for courier or cleaning services.
These payments must be reported to the ATO each year using the Taxable payments annual report.
The first annual report for these businesses is due by 28 August 2019.

Legislation and supporting material

The Treasury Laws Amendment (Black Economy Taskforce Measures No. 1) Act 2018 received Royal Assent on 3 October 2018. The amendments extending TPRS to the courier and cleaning industries appear in Schedule 2 of that Act.

Administrative treatment

Businesses supplying courier or cleaning services need to review their payments made to contractors for these services from 1 July 2018 and complete and lodge a Taxable payments annual report by 28 August 2019 for the 2018–19 income year;

- those businesses that recorded their payments and lodge their annual report in accordance with the changes do not need to do anything more

- those businesses that did not record their payments to contractors will need to review their records and compile a summary of all payments made after 1 July 2018 and the required details for each payment.

Businesses supplying courier or cleaning services are not required to lodge a Taxable payments annual report for an income year if payments they receive for courier or cleaning services make up less than 10% of their GST turnover for that year.

Home office running expenses (higher hourly rate) and electronic device expenses

On 16 January 2019, the ATO released an updated version of Practice Statement PS LA 2001/6, its guidance on calculating and substantiating home office running expenses and electronic device expenses. PS LA 2001/6 has been significantly rewritten as follows:

- the basic principles ("pre-requisites for deductions") have been amended to emphasise that a taxpayer must actually incur the expense and that there must be a real connection between the use of the home office or device and the taxpayer's income-producing work. In addition, the requirement that the income-producing use must be substantial and not merely incidental has been removed;
- there is new commentary on what type of evidence needs to be kept (see below);
- the cents per hour rate for home office running expenses has been increased from 45 cents to 52 cents per hour, effective from 1 July 2018 (see below);
- there is new commentary on claiming up to $50 for all device usage charges where work use is incidental and detailed documentation is not kept (see below);
- there is some change in terminology (e.g. from home office expenses to home office running expenses and from business to work-related);
- the ATO specifically refers to cleaning expenses and the decline in value of furnishings as examples of home office running expenses;
- PS LA 2001/6 now specifies what it does not apply to (computer consumables, stationery, home office occupancy expenses and the decline in value of electronic devices); and
- commentary on ATO benchmarks and safe harbours has been removed.

Evidencing expenditure and extent of deductibility

PS LA 2001/6 now states that the level of evidence required to prove that expenditure has been incurred is less than that needed to substantiate the expense. In particular, the ATO accepts that bank and credit card statements can be used to demonstrate that expenditure has been incurred. For example, a bank statement in the taxpayer's name clearly showing a payment to a gas provider is acceptable evidence that gas expenditure has been incurred.

The ATO says that taxpayers can substantiate their deductible (work) use proportion by providing:

- evidence of the proportion of deductible use for the whole income year, such as itemised supplier records which have the taxpayer's work use proportion for the applicable period marked on each record as evidence of their annual claim for deduction;
- records showing their detailed usage pattern over a representative period (e.g. a diary record of use over a representative 4-week period). The ATO warns that taxpayers can only use a representative period if they have one; or
- a reasonable estimate, but only in relation to a small claim for home office running expenses where the taxpayer can demonstrate that the estimate was reasonably likely under the given circumstances.

Special rules for home office running expenses

The ATO says that taxpayers can use one of 2 methods to calculate their home office running expenses:

- keep records and written evidence to determine their work-related proportion of actual expenses incurred, or
- use a rate of 52 cents per hour. This method incorporates all of the items that can be claimed as home office running expenses, including lighting, heating, cooling, cleaning costs, and decline in value of home office items such as furniture and furnishings in the area used for work. The ATO says that taxpayers only need to keep a record to show how

many hours they work from home. They can do this over the course of the income year, or if the work from home hours are regular and constant, by keeping a record for a representative 4-week period.

Device usage expenses

Similarly, taxpayers can use one of 2 methods to calculate their device usage expenses:

- keep records and written evidence to determine their work-related proportion of actual expenses. Expenses can be apportioned on a time basis or data basis; or
- claim up to $50 in total for all device usage charges where detailed written evidence is not kept. The ATO says this method is appropriate where work use is incidental. Taxpayers can keep basic records that are based on rates of 25 cents per work call from a landline, 75 cents per work call from a mobile and 10 cents per work-related text message.

Date of effect

As amended, the Practice Statement generally applies from 1 July 2004. The 52 cents per hour rate took effect on 1 July 2018.

LTA.TaxNewsroom@thomsonreuters.com

New Year, New (Security) Challenge Set yourself up for a secure year

The new year is all about making changes for a better 2019. Start this year with your strongest digital security yet by using a secure password manager that stores all your usernames and passwords in one safe place, called a vault. After you save a password to your vault, the password manager remembers it for you. When you need to log in to a website, the secure password manager enters your username and password for you.

A password manager does many other things, including:

- Creating new passwords for you
- Showing how strong your passwords are
- Storing information such as PIN codes and membership IDs
- Sharing passwords with others
- Filling out addresses and credit card forms

A password manager, such as LastPass will help you in your day-to-day work while improving the overall security of your online life.

Key benefits of using a password manager include:

- **Convenience** – No more forgotten or mis-typed passwords
- **Time saved** – Instantly log in to websites
- **Stronger security** – Long passwords that you don't have to remember.

Reduced non-concessional contribution cap

What is the new non-concessional contributions cap and when does it take effect?

From 1 July 2017 the annual non-concessional contributions cap is $100,000 and will increase in line with the indexation of the concessional contributions cap.

If your total superannuation balance was greater than or equal to $1.6 million (at 30 June 2017) you will no longer be eligible to make non-concessional contributions in the 2017–18 financial year. The law does not prevent further contributions. It will however trigger excess non-concessional amounts as the non-concessional contributions cap will be nil.

As was the case in previous years, if you are under 65 years old you may be able to bring forward three years of non-concessional contributions. The amount you can bring forward and the number of years you can use is dependent on your total superannuation balance.

Australian Taxation Office

NSW Small Business Grants

The Small Business Grant is designed to encourage small businesses, not liable for payroll tax, to employ new full-time, part-time and casual workers.

If you increase the number of NSW full-time equivalent (FTE) employees in your business, you'll receive a grant.
The grant is up to $2,000 per full-time equivalent position at the anniversary date.
You need to register for the grant within 60 days of the employee's start date.

New job
A new job is when the number of NSW FTE employees increases and is maintained over a 12-month period.
Any new job created on or after 1 July 2015 and before 1 July 2019 can be registered for the grant.

- A full-time job is a position where an employee's standard or average hours worked per week is 35 hours or more.
- A casual employee who works a standard or average of 35 hours or more per week is considered a full-time employee for the purposes of the grant.

Your business is still eligible for the grant even if the person you employ for the new job is a part-time or casual employee. If they do not work full-time, the grant amount will be paid as a pro-rata amount based on the FTE hours of employment.

Revenue NSW may refuse to pay the grant if the number of NSW FTE employees decreases for more than 30 days during the grant period.

Scheme end date

The end date of the scheme is 1 July 2019. You must register any new jobs before this date to be eligible for the scheme.
Application for registration

To apply for the grant, you must

- register for the small business grant when you employ someone in a newly created position within 60 days of the date the new job starts.
- let us know the number of NSW FTE employees immediately before the position was filled.
- have an active Australian Business Number (ABN).
- not pay payroll tax in a financial year, if any part of that financial year falls within the grant period.

More information can be found at the following website.

https://www.revenue.nsw.gov.au/grants-schemes/small-business-grant

Changes to Victorian Long Service Leave

The Victorian Government has made significant changes to long service leave.

The new Long Service Leave Act was passed on 1 November 2018, by the Victorian Parliament,

Of most significance for the payroll function, the 2018 Act changes the periods during which LSL accrues, the time at which LSL can be taken and the calculation method where an employee's hours of work change. It does not change the rate at which an employee accrues LSL.

The key changes include:
- LSL will accrue during all paid parental leave and during the first 52 weeks of unpaid parental leave.
- Continuity of employment will no longer be broken where unpaid parental leave exceeds 52 weeks (capped at 104 weeks for casual and seasonal employees).
- Employees will be able to take LSL after 7 years of continuous employment (currently 10 years).
- Employees will be able to take LSL one day at a time (currently LSL has to be taken in longer stretches over a maximum three periods).
- Where an employee's hours of work change during their employment, LSL will be calculated at the highest average over the previous 12 months, five years or the entire period of employment (currently averaged over previous 12 months or five years only).

The new laws came into effect on 1 November 2018.

Now is the time to review employee records, documentation, processes, payroll systems and leave calculators to ensure you are ready to meet your employer obligations under the new legislation.

For more information visit the following website.

http://www.business.vic.gov.au/news/2018/may/long-service-leave-changes-make-it-fairer-for-employees

The Tax system explained in beer

A very interesting article has come across our desks, giving an explanation of the tax system using beer. The unarguable bottom line is that everyone's view of the fairness of the tax system – like most such matters – depends largely on the angle from which you look at it.

Here is an example of the beer explanation:

Suppose that once a week, ten men go out for beer and the bill for all ten comes to $100. If they paid their bill the way we pay our taxes, it would go something like this…..
The first four men (the poorest) would pay nothing.
The fifth would pay $1.
The sixth would pay $3.
The seventh would pay $7.
The eighth would pay $12.
The ninth would pay $18.
And the tenth man (the richest) would pay $59.
So, that's what they decided to do.

The ten men drank in the bar every week and seemed quite happy with the arrangement until, one day, the owner caused them a little problem. "Since you are all such good customers," he said, "I'm going to reduce the cost of your weekly beer by $20". Drinks for the ten men would now cost just $80.

The group still wanted to pay their bill the way we pay our taxes. So the first four men were unaffected. They would still drink for free but what about the other six men? The paying customers? How could they divide the $20 windfall so that everyone would get his fair share? They realised that the $20 divided by six is $3.33 but if they subtracted that from everybody's share then not only would the first four men still be drinking for free but the fifth and sixth man would each end up being paid to drink his beer.

So, the bar owner suggested that it would be fairer to reduce each man's bill by a higher percentage. They decided to follow the principle of the tax system they had been using and he proceeded to work out the amounts he suggested that each should now pay.

And so, the fifth man, like the first four, now paid nothing (a 100% saving).
The sixth man now paid $2 instead of $3 (a 33% saving).
The seventh man now paid $5 instead of $7 (a 28% saving).
The eight man now paid $9 instead of $12 (a 25% saving).
The ninth man now paid $14 instead of $18 (a 22% saving).
And the tenth man now paid $49 instead of $59 (a 16% saving).
Each of the last six was better off than before with the first four continuing to drink for free.

But, once outside the bar, the men began to compare their savings. "I only got $1 out of the $20 saving," declared the sixth man. He pointed to the tenth man, "but he got $10!"
"Yeah, that's right," exclaimed the fifth man. "I only saved $1 too. It's unfair that he got ten times more benefit than me!"

"That's true!" shouted the seventh man. "Why should he get $10 back, when I only got $2? The wealthy get all the breaks!"

"Wait a minute," yelled the first four men in unison, "we didn't get anything at all. This new tax system exploits the poor!" The nine men surrounded the tenth and beat him up.

The next week the tenth man didn't show up for drinks, so the nine sat down and had their beers without him. But when it came time to pay the bill, they discovered something important – they didn't have enough money between all of them to pay for even half of the bill!

And that, ladies and gentlemen, journalists and government ministers, is how our tax system works. The people who already pay the highest taxes will naturally get the most benefit from a tax reduction. Tax them too much, attack them for being wealthy and they just might not show up anymore. In fact, they might start drinking overseas, where the atmosphere is somewhat friendlier.

RECIPES
Sweet Potato & Teff Gnocchi

Serves 4
Prep time: 25 mins
Cook time: 8-10 mins

Ingredients

2-3 sweet potatoes
1 cup **Outback Harvest Ivory Teff Flour**
1 cup gluten free flour
1 egg, whisked
1 tsp Himalayan salt
2 tbs butter
2 cloves garlic, finely sliced
2 tbs parsley chopped
2 tbs grated fresh parmesan
Salt and pepper to serve

Method

1. In a 180 deg preheated oven, spike your sweet potatoes with a knife and roast for 45 mins to an hour until soft and cooked inside.
2. Once cooked, leave to cool completely, then remove skins, discard and mash flesh. We need 2 cups of mashed potato, reserve any more for later.
3. In a stand mixer with a whisk attachment add your potato mash, flours and egg.
4. Mix until well combined and a dough forms that is not sticky to the touch, add more flour if needed to achieve the right texture, it should be “tacky” to the touch
5. On a floured bench, divide dough into 6 balls, then roll each ball out into thin, long logs about 2 cm thick.
6. Cut logs into small pillow shapes and place on a floured tray ensuring none touch, use as many trays as you need.
7. In rapidly boiling salted water, drop in your pillows and once they float to the top remove with a slotted spoon onto a lined baking tray, again keeping separate as to not let them stick.
8. In a large pan on medium to high heat, add your butter and fry off your gnocchi until nicely golden.
9. Toss in your garlic and brown slightly.
10. Serve with fresh parsley, Parmesan, a fresh crack of pepper and some salt.

Easter rocky road

INGREDIENTS

- 400g dark chocolate, chopped
- 1 1/4 x 250g packets assorted chocolate mini Easter eggs
- 100g packet mini marshmallows
- 2/3 cup (100g) pistachio kernels, toasted
- 1 1/4 cups (150g) dried cranberries
- 10 sponge finger biscuits, chopped

METHOD

Step 1
Grease a 6cm-deep, 20cm (base) square cake pan. Line base and sides of pan with baking paper, allowing 2cm overhang on all sides.

Step 2
Place chocolate in a heatproof, microwave-safe bowl. Microwave on high (100%) for 2 to 3 minutes, stirring every 30 seconds with a metal spoon, or until smooth. Set aside to cool for 20 minutes.

Step 3
Place marshmallows, pistachios, cranberries, biscuits and half the eggs in a bowl. Add chocolate. Stir gently to combine. Spoon mixture into prepared pan. Press with the back of a spoon to level. Lightly press remaining eggs into top. Cover. Refrigerate for 2 hours or overnight, if time permits, or until set.

Step 4
Remove rocky road from pan. Cut into 25 pieces. Serve.

NOTES

Use 100g almonds, toasted, instead of pistachios.

You can find mini marshmallows in the baking aisle of the supermarket.

Taste.com.au

KILARA GROUP
COMPLETE FINANCIAL SOLUTIONS