



Wheelers Dairy - Kandanga Creek.

financefirst

FINANCIAL NEWSLETTER ISSUE 2 – NOVEMBER 2014



Farewell Noel!

In December we wish a happy retirement to our friend and colleague Noel Holzapfel. In November, Noel will have been with our firm for 20 years, and during that time has built up a fantastic relationship with staff and clients alike.

Coming from a farming background himself, Noel has enjoyed the opportunity to speak to so many of our farming clients across the region for a number of years. It is the work ethic that was no doubt built up over many years before working with us that has contributed to Noel being one of our hardest and most conscientious accountants since he has been with us. There have been countless times Noel has worked into darkness, and on weekends to ensure tax obligations are met, and we are grateful of the significant legacy that he has contributed to in the firm.

We wish Noel the best in retirement, and trust he enjoys his time travelling and relaxing. No doubt many of you will continue to see Noel as an active contributor with community organisations in the future.

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BMW FINANCIAL SERVICES END OF YEAR SEMINAR

"Index funds and your portfolio"

THURSDAY 13TH NOVEMBER AT GUNABUL
5:15pm for a 5:45pm start

For more information or to book contact us



Merry Christmas!

The Partners & Staff would like to take this opportunity to wish you a very Merry Christmas and a Happy New Year.

Our office will close at 12.00pm Tuesday 24th December and will reopen at 8.30am Monday 5th January 2015.

ATO Payment Plan

Need more time to pay an ATO debt – interest free?

With cash flow being a common issue for a lot of businesses, it's good to know that the ATO offers a number of payment options for activity statement debts.

If you want to apply for a payment plan with the ATO, your first step should be to use the calculator on their website to work out a payment plan to suit your circumstances, and how quickly you can pay off a tax debt, taking interest into account.

Once you have worked out a suitable payment plan, you can put this in place through the ATO's online services, to find these go to www.ato.gov.au and search payment arrangements. You can put your payment arrangement in place either through online services, using the automated phone service 24/7 on 13 72 26 (for businesses) or 13 28 65 for individuals, or by phoning the ATO on 13 11 42 between 8.00am and 6.00pm weekdays.

Payment plans might currently also be interest free, so it pays to contact the ATO. To be eligible for an interest free payment plan your business must

- have an annual turnover of less than \$2million
- have a recent debt of \$50k or less
- A good payment and lodgement compliance history
- unable to obtain short-term finance through normal business channels
- able to demonstrate ongoing viability
- agrees to a payment plan of less than 12 months

If you negotiate an interest free payment plan, you won't pay interest on your activity statement debt for 12 months. If you already have a payment plan in place, call the ATO to request it be changed to interest free.

One thing to remember: once you have a payment plan in place, you must continue to meet all your ongoing tax payment and lodgement obligations. That means, lodging and paying all future BAS's on time, and meeting all payments negotiated under the payment plan. If you lodge a subsequent BAS late, or miss a payment, your payment plan is in default and your interest-free period will end immediately.

ATO Business Portal

As the ATO will no longer be issuing paper copies of Business Activity Statements, you will now need to register for the ATO Business Portal (Online Services) where you will be able to do the following:

- Lodge your BAS electronically (this also gives you an additional two weeks to lodge and pay)
- Print a payment slip
- Review your ATO account balances owing and transaction history
- Review prior lodged BAS'



Before registering, you will need the following information on hand:

- The ABN of the business you are registering for
- Your full legal name
- Your date of birth
- Your personal Tax File Number (TFN)
- Your email address

The steps you will need to follow to access the ATO Business Portal are as follows:

1. Register for an AUSkey - <https://abr.gov.au/AUSkey/Registering-for-AUSkey/>
2. Install the AUSkey Software on your computer and Activate your AUSkey - refer to the confirmation email received after registering for an AUSkey <https://abr.gov.au/AUSkey/Setting-up-your-AUSkey/Set-up-AUSkey-on-a-computer/Logon-to-the-ATO-Business-Portal-through-Online-Services> on the top right-hand side of the website's home page - <https://www.ato.gov.au/> - Select Business from the drop down menu, then click Log on. Click Login at the bottom of the new window that appears then type in the password you created when Activating your AUSkey
- 3.

Welcome to the ATO Business Portal!

Electronic Reporting

It seems every day that a new level of complexity is being added to businesses day to day workload, with extra red tape, or more conditions and restrictions put onto what were previously simple day to day parts of doing business.

At first glance, some of the new electronic reporting requirements for businesses fell into this category, however feedback we are getting is that after the initial headache of setting up, some of these changes are actually changes for the better.

What I am referring to is the move by the ATO towards ceasing paper reporting on Business Activity Statements and other reports, and the changes to Superannuation reporting which will soon be compulsory: SuperStream.

If you lodge a BAS electronically from the 1st July 2014 (even if you have us lodge on for you because you may have been running late) you will no longer receive a paper copy of your BAS and you must lodge electronically from now on. To do this you will need to sign up for an AUSkey and use the ATO Business Portal. We have been using the accountants version of the Business Portal for years, and some days wonder how we ever went without it. AUSkeys are linked to ABN's for businesses and can be used to deal with various government agencies on behalf of businesses, including ASIC, the Australian Business Register the ATO of course, and others.

You're going to need one, so spend half an hour today to get one. To register go to www.abr.gov.au/AUSkey/Registering-for-an-AUSkey/.

So what's the good news when you get an AUSkey? You get a lodgement and payment extension on your BAS, and I don't know anyone who couldn't use that!

SuperStream is another change which will soon be compulsory. Briefly, it means that within the next year all payments to Superannuation funds by employers need to be SuperStream compliant, which includes being paid and reported electronically.

The ATO already offers the Superannuation Clearing House for those employers with less than 20 employees, as well as a number of other clearing houses operated by super funds themselves.

But the big game changer here is the Pay Superannuation function now offered by MYOB in AccountRight 2014.4. This allows you to report, and pay your superannuation to all employees, in one transaction from within your accounting package. It's included in the new version of MYOB, and its free with your subscription.

To give an example, with our almost 30 staff, in around 10 funds, what used to take us about an hour to process, log in and report to all funds, then process payments to our bank account, now takes us 2 minutes. That's right TWO MINUTES. We've slashed the time taken to do a simple compliance task, and created an hour a month to spend on productive work in the business.

If you are using a cloud version of MYOB now, you should look into this, and if you aren't and you pay employees, you should definitely make the switch now.

Sharemarket Volatility

Extract from recent article by Jeff Mitchell, Head of Investment Research, Australian Unity Personal Financial Services.

What's causing the recent increase in sharemarket volatility? And why it may just be a shorter term issue.

A perfect storm to blame

Elevated geopolitical risk, persistent issues in Europe, US monetary and fiscal policy, slowing growth rates in China, falling commodity prices and large moves in foreign exchange rates have had a marked impact on investor sentiment recently. These factors in isolation can affect markets to varying degrees but the recent interaction between all of them has been a strong negative influence on investor sentiment, and has created the recent increase in sharemarket volatility globally. Geopolitical risks have increased markedly over the past couple of months.

Impact of US Interest Rates

Global markets have for some time placed significant emphasis on the Federal Reserve (Fed) and the continued wind down of Quantitative Easing (QE). The likely timing of the next increase in US official rates continues to be a dominant driver of investment markets. The QE program is due to end this month after being wound back consistently and predictably over the past year. With the end of QE the market has speculated that the logical progression for the Fed is to increase official interest rates.

Europe Continues to Struggle

Elsewhere on the global front, European data over the past month has been far from positive, forcing the European Central Bank (ECB) to cut interest rates to all-time lows of 0.05%, placing pressure on ECB President Mario Draghi to honour his previous commitment to do 'whatever it takes'.

Falling Commodity Prices a Contributing Factor to global volatility
Commodity prices in general have responded to the weaker global growth expectations and fallen.

And, contrary to the usual situation at times of elevated tension in the Middle East, the oil price has been falling dramatically. This has in turn been detrimental for the Russian economy with oil being Russia's largest export (around 58%). This has acted to elevate Russia's interest in the Ukraine as the majority of the natural gas Russia supplies to Western Europe is transported in pipelines traversing the Ukraine.

Australian shares look attractive

Despite these global and domestic issues, from a valuation perspective Australian equities are generally not expensive and are tending toward being attractive relative to the 20 year trend of the price multiple of current earnings. Interestingly, a declining Australian dollar favours a number of sectors that will aid Australia's transition from being a mining led economy to a more broadly based economy.

Who is Australian Unity Personal Financial Services?

Australian Unity has a proud 170 year heritage of helping Australians create secure financial futures. This pedigree and experience, combined with our corporate strength and leading edge strategic advice capability, means we are uniquely placed to offer you high quality personal financial services... each finely tuned to your particular needs to ensure you achieve your vision of a secure financial future.

What is 'The Cloud'?

The "Cloud" is a term for software and functions that you currently use, accessed through the internet, rather than programs and storage systems on your computer. We have focused on accounting software in our analysis below.

Advantages for the User:

Flexibility and convenience - You can access cloud accounting software anywhere that has an internet connection, so no need to use a particular computer or be stuck in the office.

Less data entry and errors - Most cloud-based accounting systems use a copy of the bank statement data, which is directly imported into your accounting program.

Cost efficient - The ability to record payments directly to suppliers and employees once in an accounting file reduces time logging onto internet banking sites to record payments again.

Backup and recovery - If your laptop is lost, you can buy another and instantly access your data. The backup systems of Cloud providers need to be reviewed, but most far exceed what small businesses currently do.

Automatic upgrades - You do not need to buy a new program each year. All upgrades are carried out by the supplier, you are always on the latest version. Upgrades are included in the monthly subscription fee.

Access by the accountant - The cloud software provides data to an accountant via the internet, so no discs, emails being rejected because of attachments etc.

Remote areas - No interaction required in person. If you are not located near your accountant, you can view the file together online and discuss the same details over the phone.

Advantages for the Accountant:

Ability to share live client data day to day, at any time. Accountants can sort out problems as they arise, e.g. support can be provided on the day it has happened, rather than waiting until year end.

Reduction in time required for entering and coding data. Once an item is coded the first time, it can be memorised, and recorded for all future similar transactions. Issues with data transfer almost negated, streamlining workflow and reducing IT headaches.

Disadvantages of Cloud Computing:

Internet Connection - If connection is down, then there may be delays with access to your data.

Security - If the cloud computing provider is not secure or does not have adequate back up procedures, then you may be exposing yourself to their risks. However, most Cloud computing providers have procedures far more robust than even the best small businesses.

Initial Training - Time is required to learn a new system.

Not all banks integrate with this software - Some financial institutions are not available for transaction downloads. However, almost all majors support cloud computing options such as MYOB.

Business Failure - There is a risk if the provider ceases to trade, your data and access to your records may also be lost. Consideration of the provider will eliminate this risk. Also, the ability to "checkout" your file from the cloud, and hold a backup of business data at a local level reduces this risk as well.

Common Concerns / Questions:

Is it a safe option? Most web based programs on the market use bank-level encryption, ensuring safe and simple data transfer.

Is this the future? Yes. The transition clients are making to the cloud is just another step in the process to computer based record keeping.

What Cloud-based Computer program do BMW recommend/specialise in? BMW recommend MYOB, Quicken or Xero, also we are happy to accommodate if you have other software needs.

At BMW we understand technology, environment, client situations and aspirations are different for each of our clients. We prefer to work on solutions that suit each particular client's needs. If you have any questions, please do not hesitate to contact us to discuss this further.

SMSF Trustees Beware!

New Penalty Regime for SMSF's

The new administrative directions and penalties for contraventions relating to self-managed superannuation funds has become effective from 1 July 2014 and applies to contraventions on or after that date.

The new regime introduces administrative directions and penalties for SMSF related contraventions including rectification and education directions and administrative penalties. It gives the ATO more power and flexibility to impose effective sanctions and, if necessary, penalise the trustees of a SMSF.

Administrative Penalties

If a trustee or a director of the trustee company contravenes a section of the SIS Act specified in the table in section 166 (Tax & Super Laws Amendment Act 2014), they are liable to an administrative penalty. The administrative penalty regime works through penalty units. A penalty unit currently equates to \$170.

Some examples of contraventions and their penalties are:

Subject 65(1) - Lending or giving Financial assistance to member or relative. 60 Penalty Units = \$10,200 Fine

Subject 35B - Failure to retain Financial Statements for 5 years. 10 Penalty Units = \$1,700 Fine

Corporate versus Individual Trustees

Where a SMSF has individual trustees, the administrative penalty is imposed on each individual trustee.

Where the SMSF has a corporate trustee, the administrative penalty is imposed on the corporate trustee and each director of the corporate trustee is jointly and severally liable for the penalty. Only one penalty is applied to the corporate trustee whereas individual trustees may receive multiple penalties.

For example in the case of a 60 units penalty, a SMSF with 4 individual trustees will have a total of \$40,800 in penalties, whereas the directors of a corporate trustee will have, between them, a total penalty of \$10,200.

For more details on the new Penalty Regime or any issues regarding Self-Managed Super, contact the team at Brown Macaulay & Warren.