

## IN THIS GUIDE:

- ATO improvements for small businesses
- Don't get an FBT hangover
- A resolution for 2015: estate planning
- Make the most of holiday promotions
- Getting CGT concessions right
- And more



## MERRY CHRISTMAS

We would like to take this opportunity to wish all our clients and their families a very happy Christmas.

We will be taking a short break over the Christmas period.

**OUR CLOSING DATES ARE:**  
19th Dec 2014 — 5th Jan 2015



# END OF YEAR UPDATE '14

THE END OF YEAR GUIDE FOR YOU AND YOUR BUSINESS



## A legally responsible Christmas

It is that time of year again, the holiday period is just around the corner and the excitement of the work Christmas party is setting in.

End-of-year celebrations are an important way for employers and staff to reflect on the progress they have made as a team throughout the year. It is also a time to develop interpersonal relationships with one another and build company culture. However, employers need to consider the potential hazards which may arise from end-of-year events and the various legal obligations associated with holding a work function.

An employer may be held liable for any injury which occurs at an event, as well as injuries of employees travelling to and from the venue. It is always advisable to have a discussion with the venue about their OHS policies and evacuation plans.

Employers can also face issues arising from any form of sexual or emotional harassment that an employee is subject to at a company

event. Areas such as drug and alcohol use, conduct, confidentiality and breach of company policies or procedures need to be given special caution, as these are common issues associated with end-of-year celebrations.

All employees attending the party should be reminded of their responsibilities and expected standard of behaviour before the event. You should put in place very clear disciplinary procedures for any transgressions.

Alcohol should be served responsibly and by qualified personnel, as required by the responsible service of alcohol regulations. It is a good idea for employers to organise safe travel arrangements for their employees, such as handing out cab charges or hiring a mini bus.

If employees choose to continue partying and the after party is not arranged by your company, ensure that this is made clear. Start and finish times should be clearly set out prior to the event.

Employers should also be aware that actions such as placing a tab behind a bar at an after party could give rise to liability for behaviour into the early hours of the morning.

## LOGAN & HALL

22-24 McCallum St  
Swan Hill  
VIC 3585

**TEL** (03) 5032 1121  
**FAX** (03) 5032 9906

**EMAIL**  
service@loganhall.com.au

**WEBSITE**  
www.loganhall.com.au

**PARTNERS**  
Gary Tomamichel  
Andrew Gilchrist

**CONSULTANT**  
Donald Logan



Liability limited by a scheme  
approved under Professional  
Standards Legislation.

# ATO improvements for small businesses

Recently appointed Taxation Commissioner, Chris Jordan, is striving to see the ATO reduce red tape for small business owners.

The aims include:

- Providing more targeted, accessible and reliable services to small business owners
- Aiming to reduce the impact of ATO activities on day-to-day business operations and cashflow
- Improving communication channels to facilitate the timely distribution of relevant and accessible information

In line with these aims the ATO has introduced a number of new small business initiatives.

These initiatives include:

- Establishing small business fix it squads. These working groups bring together small business representatives with representatives from all levels of government to consider solutions to small business problems
- Working with small businesses to find solutions to debt. The ATO is encouraging small businesses to contact them if they have a tax debt, and providing assurance that they will seek to implement manageable solutions
- Setting up a small business newsroom on the ATO website that centralises relevant information, allows people to set up notifications, add tax dates to their own calendars and share articles with each other



## A resolution for 2015: estate planning

Estate planning can be a confronting and even upsetting activity, so it's no wonder it's something many people avoid.

However, an up-to-date will and succession plan is crucial for looking after your loved ones should you pass away. Making estate planning your new years resolution can be a great motivation for getting this unpleasant task out of the way.

If you do not already have one, you should appoint an executor. The executor will be responsible for assisting and paying for your funeral, and will generally oversee the administration and distribution of your estate assets.

Estate assets are owned by you directly and include items such as bank accounts, real property, personal possessions and shares. It will also include the payouts from any insurance policies in your name.

However, your will generally does not cover non-estate assets. Non-estate assets are those which are jointly owned, i.e. not owned by you directly. This includes your superannuation, assets of trusts that you have a share in and the payouts from insurance policies held by your superannuation fund.

In order to specifically account for your non-estate assets in estate planning there are additional actions you have to take, such as completing a death benefit nomination for your superannuation fund and adjusting the deeds of trusts.

## Don't get an FBT hangover

We all know the downside of the day after the Christmas party: the clean-up, hangovers and possibly a few karaoke regrets.

Unfortunately, Christmas parties can also attract Fringe Benefits Tax (FBT), meaning that business owners may end up with an unexpected FBT bill after the event.

The ATO allows businesses a leeway of \$300 per employee for Christmas parties. This means that if your party works out at less than \$300 per employee you should be able to avoid a Christmas party FBT bill.

There is also one FBT loophole that is particularly useful for employers looking to reward people at Christmas time: the \$300 limit for fringe benefits applies to

each benefit provided, not the cumulative value of all benefits.

Therefore, if you were to throw a party that cost \$299 per employee and also give each employee a Christmas gift worth \$299, you could avoid paying FBT.

If you're keen to avoid FBT, holding the party on company premises during work hours will mean that food and drink is FBT free (provided that only employees attend). Also, if legitimate clients are in attendance at the event there will be no FBT.

The FBT calculation method described above is known as the 'actual value method'. There are also two other methods that you may use to calculate FBT for entertainment (including Christmas parties): the '50/50' split and the '12 week register' method.

Using the 50/50 method, half of the total value of food, drink and entertainment provided to employees, associates and third parties is taxable.

Using the 12 week register method, a company must keep details of the proportion of food, drink and entertainment costs that were provided to employees and their associates and the FBT will be calculated accordingly. The 12 week period must be kept for a representative period (not an unusually quiet social period).

Whatever your company Christmas plans are, a little forward-thinking now can save you a lot come next end of financial year.



# Make the most of holiday promotions

## The holiday period presents most businesses with a series of incredible marketing opportunities.

It is important not to waste these opportunities by falling victim to common marketing mistakes.

If any of your strategies fall short, or even worse damage your brand, then there is a high risk that you will lose out to competitors. The risk of losing customers to competitors is particularly high at this time of year because everyone is going full steam on their marketing.

We have compiled this list of common mistakes to help you get ahead this holiday season:

### 1. Focusing on products not customers

Many marketers have a completely

product-centric view of the world. They know their product up, down and sideways, but have only a vague idea of who might actually want or need it, or how it would be used.

### 2. Not interacting with customers

Even when marketers do have a concept of the ideal customer, they often spend very little time actually listening to them. They do market research and run demographic numbers, but just sitting down and simply listening is not on the agenda. Not surprisingly, the result is marketing messages that do not mean anything to the people who are supposed to buy.

### 3. Thinking down the sales line

Some marketers who listen to an ideal customer listen for the wrong things. They try to find ways that the product they are marketing can fulfill the customer's needs.

While that sounds smart, it is actually not. In business-to-business sales (which is the bulk of most sales activity) what is important is not satisfying the customer's needs, but the needs of the customer's own customer.

### 4. Lack of value-proposition

Marketers who understand their customer's customer, they often have a difficult time formulating a value proposition that makes sense to both the customer and the end customer. Understanding the dynamics of B2B to B2C can really give your marketing a boost.

### 5. Poor written communication

Overly wordy writing can confuse your message and its effectiveness may be lost. If you struggle to articulate your ideas clearly on the page, hiring a copywriter can be a worthwhile investment for your marketing strategy.

## Getting CGT concessions right

### There are a number of CGT concessions available to small business that have incurred a capital gain from an active asset.

It is permissible to claim as many of the concessions as you are entitled to until your CGT liability has been reduced to zero. The available exemptions are:

#### The 15 year exemption

If your business has held the asset for over 15 years and you are aged over 55 or are permanently incapacitated, then you will not attract a CGT charge when you dispose of the active asset.

#### The 50% active asset reduction

The capital gain on an active asset can be reduced by 50% and can be used in conjunction with the 50% discount available for assets that have been held for over 12 months.

#### Retirement exemption

If you are over 55, or direct the capital gain directly into your superannuation, then you can claim CGT exemption on active assets. There is a \$500 000 lifetime limit on this exemption.

#### Small business rollover

The small business rollover allows you

to defer part or all of your CGT liability until a later year if you have purchased a replacement asset or have incurred costs making improvements to an existing asset.

According to the ATO, there are some recurring mistakes that small businesses make when applying the eligibility tests for these concessions. Two mistakes that have been identified as particularly common are:

#### Miscalculating maximum net asset value

To be eligible for the small business CGT concessions mentioned above, a number of conditions must be met. One of these is that immediately prior to the CGT event the net value of the entity's CGT assets cannot exceed \$6 million.

The net value of CGT assets is calculated as the total market value of its assets less any liabilities relating to those assets. Liabilities may include provisions such as tax liability and long service leave.

The most common errors relating to calculating the net asset total are failing to include assets owned by connected entities and affiliates, valuing the assets retrospectively instead of at market value and not including the value of the asset being sold in the calculation.

#### Using the settlement date

A CGT event is typically considered to occur on the date that the contract is entered into, not the date of settlement.

The ATO has found that it is a regular mistake that occurs when business owners record CGT events. Incorrectly recording the settlement date instead of the contract date can lead to complications including the asset not being considered as active for the relevant time frame and incorrectly applying the 15 year exemption.

CGT losses and gains should be included in the financial year that the contract was signed.







## Giving (tax effectively!)

The holiday season is a great time to give something back to those less fortunate than you.

There are many charities that run special Christmas programs, and if you are stuck for a gift idea, making a charitable donation in someone's name is a fantastic solution.

On an even better note, charitable donations can get you some great tax breaks. We have compiled this list of how donations are treated for tax purposes to give you a little guidance this season:

### It has to be a donation

If you receive a material return for your charitable payment, the it cannot be claimed as a tax deduction. Material returns include items such as raffle ticket and merchandise. You should also make sure to keep all of your receipts!

### The charity must be registered

In order to be eligible for a tax deduction the charity must have deductible gift recipient status (GRS) from the ATO, so always confirm this before making a donation.

### Giving a donation as a gift

When it comes to giving someone a donation to a charity as a gift, the tax implications can get tricky. Many of the major charities offer pre-packaged charitable gifts for you to give to someone, and these will often specify whether or not you can include it as a tax deduction. If you are considering a sizeable donation in someone else's name, you should consult your accountant about tax implications.

## Family investment properties

The holidays are often a time that people reflect on ways that they may be able to give their family members a little extra help.

With the price of Australian real estate continuing to climb, especially in capital cities, a lot of people are considering the challenges that will face their children when they want to enter the property market.

It is not uncommon for parents to purchase investment properties with the intention of one day passing them onto their children. If this is something you are considering, here are a few things to think about:

### Location

You should look at schools, employment opportunities, transport infrastructure and, most importantly, planned future developments. Remember, many of today's hot-spot suburbs were not as popular fifteen years ago, and you're in this for the long game.

### Cashflow

If your rental income is below what you expected you might be forced to sell the property before you intended, losing out on long terms gains. Make sure that the type of property you buy fits the demographic profile of the area and make sure that your property manager is first class.

### Tax strategies

If you are planning on passing a property onto your children one day, ownership through a family trust is a potential option. The advantage here is that when the property is positively geared or disposed of with a capital gain, the benefits can be distributed to the family member with the most favourable tax circumstances.

However, the disadvantage here is that if the property is negatively geared the losses generally cannot be distributed to members, and can only be used to offset future earning within the trust.

## Holiday Survival Guide

The holiday season has almost arrived, and it is always a stressful time for anyone who runs a business.

For those in retail, the entire year's figures can depend on sales during the next few weeks. For every business, the holidays present unique challenges and opportunities.

Here are a number of tips for making it through the holiday season successfully:

### Watch your cash flow

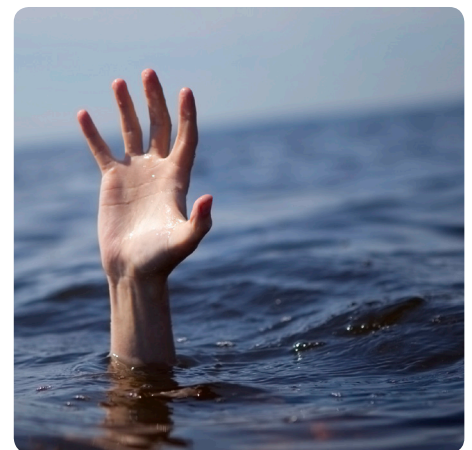
The holiday season is usually either the busiest or the slowest time of year. This means cash management is critical. So, if this is a high-income time for your business, put money in a reserve account. If this is a lean time, reduce expenses as much as possible and when your income increases, start a reserve account to get you through next year's holidays.

### Holiday specials

Create gift packages by 'bundling' a number of products or services together. Bundles increase total sales amounts for you and provide your customers with excellent value for money.

### Gift certificates and gift cards

Gift cards have become extremely popular



with consumers. It doesn't really matter what kind of business you are, almost everyone can benefit from selling gift certificates at Christmas.

### Hosting functions

Parties are a good way to connect with customers and referral sources. They can also be a good way to get people to come to a place of business if you have a store or office.

### Keep your priorities straight

Remember the things that are really important: family, friends, and community. Spend time with those you truly care for and give to those who are less fortunate.