

# CARDELL

## CHARTERED ACCOUNTANTS

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newsletter

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### accountants

Barry Hughes CA  
Marcus Bond CA  
Lyndal McKenzie CA  
Rebecca Bond CA  
Stacey O'Malley CA  
Tracey McFee CA  
John Kilsby BAcc BFin  
Jason Kennedy BBUSCom  
Jessica Webster BAcc  
Jared Saunders BCom  
Rachel Grant BBUS

### staff

Connie Butterfield  
Practice Manager  
Glenda Davis  
Trudi Fouché  
Karen Burrows  
Tate Wheatley

## old accountants lose their balance

When judges reach 70 years of age they are required to retire from the bench because of "statutory senility". One of our own, Barry Hughes will reach that age next February and is planning to retire from the practice at the end of June 2016.

Within the firm we have been aware of his intention for some time and have been planning accordingly. You may recall seeing an article printed in the Sentinel Times in July 2013 when Lyndal McKenzie joined the partnership, in which, reference was made to this change being a part of our business succession planning.

As well as these changes at partnership level, we have continued to nurture and support Jason Kennedy and John Kilsby as they completed their accounting specialist university degrees and undertook the Institute of Chartered Accountants post graduate training. Both will complete their last examination this month and will be admitted to the Institute as Chartered Accountants early in 2016. Jason and John have been employed in the practice since December 2010 and September 2011 respectively. They are well aware of our approach to managing our clients' affairs, our accounting processes, checklists and consequently their direct involvement with you, our clients, will increase in future.

In March this year we recruited two more trainees – Jessica Webster and Jared Saunders, who are university graduates. They are following in the footsteps of Jason and John.

We encourage our staff to raise questions and as partners we frequently ask each other for a second (or even third) professional opinion. As partners it is our role to support our staff to ensure that we give appropriate consideration to each client's particular circumstances at all times. Our commitment is to provide appropriate professional advice to you.

Barry is preparing profiles of each client, to ensure as far as possible, that his more detailed knowledge of each client's affairs is retained

after he leaves the practice. Client contact responsibilities will be assigned and you will be advised separately and directly by letter who will be your first point of professional contact within the practice. We will introduce John and Jason to you over the next six months.

As Lyndal is a Registered Company Auditor our audit clients have been transitioning since Lyndal became a partner.

Your association is highly valued by us. Our commitment is to ensure that we continue to provide the best professional services and support to you with the minimum disruption arising from Barry's departure. He is concerned to maintain your continuity with the practice and will ensure that his new contact details are available to us.

If you have any questions, please contact Barry, Marcus or Lyndal ☐

## happy holidays !

Our office will close for the Christmas holiday from 12pm on Wednesday, 23 December 2015 and will reopen on Wednesday, 6 January 2016 at 9am.

The team at Cardell Accountants would like to wish you all a Merry Christmas and a Happy New Year.

We thank you for your continuing support ☐

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## superstream—are you ready?

SuperStream aims to improve the efficiency of Australia's superannuation system and provides a new standard for employers when making super contributions.

- SuperStream requires an employer to send contributions electronically.
- For employers with 20 or more employees, SuperStream is already mandatory.
- For employers with 19 or fewer employees, SuperStream was available from 1 July 2015 and is mandatory from 1 July 2016. You should start getting ready now and can start using SuperStream earlier, if possible.

### Self-managed super funds

- All SMSF trustees must be able to receive super contribution payments and information electronically when their employer starts sending contributions using SuperStream.
- If you are an SMSF trustee, you will need to obtain an electronic service address from an SMSF messaging provider.
- Give your SMSF SuperStream details to your employer—electronic service address (ESA), Australian Business Number (ABN) and bank account details.

### SuperStream solutions

There is no single solution for making

SuperStream contributions. Speak with your default fund to see what options are available. These may include upgrading your payroll software, using a default fund portal, using a commercial clearing house or the free Small Business Superannuation Clearing House (19 or fewer employees).

### For more information

Visit the ATO website: [www.ato.gov.au/SuperStream](http://www.ato.gov.au/SuperStream)

You can also phone the ATO on **13 28 66** during business hours or alternatively contact our office ☐

## super guarantee payments

Super for employees, Superannuation Guarantee (SG), is currently 9.5% of an employee's ordinary time earnings and employers must, by law, pay SG at least four times per year into the employees chosen fund by the quarterly cut-off date (28 days after the end of the quarter).

If super is not paid by the cut-off date it becomes a non-deductible expense for tax purposes and the employer must pay the super as a Super Guarantee Charge (SGC). An SGC statement must be lodged and the SGC paid to the ATO.

### The SGC is made up of:

- Superannuation guarantee (SG) unpaid and shortfall amounts (including any 'choice liability').

- Interest accrued on the SG amount until the form is lodged, not when the SG was paid. (Interest rate is currently 10%)
- Administration charge of \$20 per employee, per quarter ☐

## beware of phone and e-mail scams

Phone scams are the number one type of scam in Australia, however there are also many e-mail scams circulating.

Scammers can impersonate ATO employees to obtain your personal information for financial gain. Generally, scams demand payment for an unexpected debt or offer an unexpected refund or grant.

Scammers try to collect personal information to steal a person's identity, including:

- tax file numbers
- names
- addresses
- dates of birth
- myGov user name and password
- bank account and credit card details
- drivers licence, Medicare and passport details.

This information is then used or sold to other criminals to commit identity fraud. This can happen immediately or even months or years later.

Phone scammers are likely to be pushy or aggressive. They may tell you that there is a warrant out for your arrest or offer to send a taxi to take you to a post office so that you can make a payment.

The ATO would never threaten jail or arrest and does not email, call or SMS asking for credit card or bank details to issue a refund.

Scammers pretending to be from the ATO are generally more common during tax time and you need to be vigilant and protect your personal information ☐

## land tax—implications for property held in trusts

The State of Victoria levies land tax on all land holdings subject to some exemptions – particularly the principal place of residence and primary production land. Land tax also applies to land held in trust with some important variations to the treatment of land owned directly.

The most important variations are that the effective threshold is \$25,000 (compared to \$250,000 if land is held directly) and is charged at a surcharge rate on property held in trusts.

Trustees are obligated to advise the State Revenue Office (SRO) within a month when land is acquired by a trustee. This is in addition to lodging a notice of acquisition with the Land Registry. We would expect that these matters would be handled by solicitors when undertaking conveyancing for a property purchase.

The SRO has different land tax rules for the following types of trusts:

- Discretionary trusts
- Fixed trusts
- Unit trusts
- Implied/constructive trusts
- Deceased estates
- Excluded trusts

Notifying the SRO of a beneficial interest or nominated beneficiary in some cases may mean that the beneficiary is liable for land tax at the general rate rather than the surcharge rate. The principal place of residence exemption may also be available.

We bring this to your attention because there have been SRO land tax audits despite the fact that all land tax assessments, as issued, have been paid. In another incident, adjustments to land tax were levied when the property, half in trust, was sold although a principal place of residence was involved.

It appears that the correct notification to the SRO within the correct period is key. We recommend that you examine your

land tax assessments to ensure that the rate seems appropriate to your circumstances. Land tax is levied on a calendar year basis, using the council land valuation for the property.

The general and surcharge rates are tabulated below to assist you. As with other taxes, there are many rules and exceptions to be negotiated. Please contact us if assistance is required

General Rates—2009 to present	
Total taxable value of land holdings	Land tax payable
< \$250,000	Nil
\$250,000 to < \$600,000	\$275 plus 0.2% of amount > \$250,000
\$600,000 to < \$1,000,000	\$975 plus 0.5% of amount > \$600,000
\$1,000,000 to < \$1,800,000	\$2,975 plus 0.8% of amount > \$1,000,000
\$1,800,000 to < \$3,000,000	\$9,375 plus 1.3% of amount > \$1,800,000
≥ \$3,000,000	\$24,975 plus 2.25% of amount > \$3,000,000

Surcharge rates for trusts—2009 to present	
Total taxable value of land holdings	Land tax payable
< \$25,000	Nil
\$25,000 to < \$250,000	\$82 plus 0.375% of amount > \$25,000
\$250,000 to < \$600,000	\$926 plus 0.575% of amount > \$250,000
\$600,000 to < \$1,000,000	\$2,938 plus 0.875% of amount > \$600,000
\$1,000,000 to < \$1,800,000	\$6,438 plus 1.175% of amount > \$1,000,000
\$1,800,000 to < \$3,000,000	\$15,838 plus 0.7614%* of amount > \$1,800,000
≥ \$3,000,000	\$24,975 plus 2.25% of amount > \$3,000,000

\* The surcharge rate tapers out for land holdings in excess of \$1.8 million. For land holdings valued at or over \$3 million, the surcharge is the same as the general rate.

## smsf trustee responsibilities

All trustees and directors of corporate trustees (trustees) of a self-managed super fund (SMSF) sign a trustee declaration when their SMSF is established, ensuring they understand their obligations and responsibilities.

The declaration lists key matters that you must understand in order to effectively manage an SMSF, including information about:

- the sole purpose test
- trustee duties
- investment restrictions

- record-keeping, reporting and lodgement obligations

It is extremely important that you know your responsibilities as trustee or director of corporate trustee of your SMSF. Please contact our office if you would like a reminder of your responsibilities

## interest on children's bank accounts

As parents or grandparents, at this time of year, we create little nest eggs which will grow, for our children and grandchildren. Even these have tax implications.

Who declares the interest depends on who owns or uses the funds of that account, no matter what type of account it is or the name of the account holder.

The parent owns the money if they provided the money and they can spend it as they like, whether or not the parent spends the money upon resources for the child. The parent includes the interest in their income tax return.

When an account is held in trust for the child by the parent and the parent controls the income and expenditure in the account, interest earned in that account is included in the parent's income tax return.

However, if the funds in the account are made up of money received as birthday or other gifts, pocket-money, or savings from part-time earnings and these funds are not used by any person other than the child, then interest earned is the child's income. A child may then be required to quote their tax file number (TFN) depending on their age and the amount of interest earned, otherwise PAYG tax may be withheld by the bank.

If you have any questions please contact our office ☐

## christmas parties and fringe benefits tax

The Australian Tax Office (ATO) is reminding businesses that while staff Christmas parties can attract fringe benefits tax (FBT) there may be exemptions available depending on the venue and cost per employee.

There are two main exemptions to FBT that could apply to Christmas parties – exempt property benefits and exempt minor benefits.

### Exempt property benefits:

- Christmas party costs include things like food and drinks served for employees as part of a Christmas party.
- the cost to provide these goods is exempt from FBT if they are provided on a working day on business premises and consumed by current employees of that business.

If the property benefits exemption doesn't apply because the party is held at a restaurant or separate venue, the costs may be considered minor benefits and FBT exempt.

### Exempt minor benefits:

- cost per employee must be less than \$300.
- the exemption also applies to associates of employees such as spouses and children, provided the cost is less than \$300 per associate.

- gifts are also considered separately from the Christmas party so, provided the cost of a gift and the party are each less than \$300, then both would be exempt from FBT.

The ATO gives the following examples:

1. A company decides to have a party on its business premises on a working day before Christmas. The company provides food, beer and wine. The party is for current employees and their associates only and the cost per head is \$185.

In this case there are no FBT implications.

2. A company decides to hold its Christmas function at a restaurant on a working day before Christmas and provides meals, drinks and entertainment. The function is for current employees, their associates and clients at a cost of \$365 per head.

In this case there are FBT implications in relation to the employees and their associates. There is no FBT payable for the clients but the cost of providing the entertainment is not income tax deductible.

### GST implication:

Clients should be aware that Christmas party expenses are not tax deductible and the GST component cannot be claimed ☐

## Technical experts and trusted business advisors

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