RJC EVANS & Co

News

RJC EVANS & Co
Accountants • Tax Agents • Advisors

WORKING TO MAXIMISE YOUR WEALTH
1921 - 2021
100 YEARS
ANNIVERSARY
RJC EVANS & Co

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Review, Reset and Revise

In this issue

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We are now well into the new financial year, which presents an opportunity to take some time for yourselves and your own financial affairs.

As we have learnt over the last few years, expect the unexpected. There are many things outside of our control.

The completion of the previous financial year, and commencement of the new, is an ideal time to set budgets and goals for both personal and work. Setting these is only part of the process. It may also be a good time to Review, Reset and Revise.

1 Review

Review your previous budgets and goals against what has happened to see how you have performed.

2 Reset

Adjust or reset your budgets and goals. As mentioned, the unexpected is inevitable. If things have not turned out as expected, you may need to reset your expectations.

3 Revise

Learn from the past; revise what is required to achieve your budget and goals. This may require adjustments to your processes and/or the application of your processes.

It is easy for all of us to get busy with what we are doing in our day-to-day activities however that should not cloud what we are trying to achieve. The planning and review process is a great tool to use to help us survive and succeed.

Good luck with achieving your budgets and goals. Should you require any assistance with achieving them, please do not hesitate to contact our office.

As we have learnt over the last few years, expect the unexpected. There are many things outside of our control.

General

Some Businesses Just Get Lucky

Many thanks, Paul, for the legacy you leave behind.

At RJC Evans & Co, our motto has always been that we are small enough to provide clients with a personalised service; but large enough to provide all the resources that you would expect from a larger accounting firm.

To be able to do this, you must have a fantastic team!

Paul Anson

2022 saw one of the firm's longest-serving team members retire. Paul Vincent Anson (Smoky) hailed from Smoky Bay on the West Coast and completed his formal education at Rostrevor College as a boarder. Paul was an excellent sportsman. He was considered one of the elite athletes to pass through the college, excelling in football, cricket, and athletics.

Paul had heard of the firm and decided to approach John Evans with a view to starting his career with RJC Evans & Co. In January 1970, this relationship, in excess of 50 years, commenced.

As part of his work, Paul travelled extensively to the country where he developed significant friendships and professional bonds with clients. Back in the office, he was an exceptional mentor, trainer and all-around good fellow.

> In a firm that has celebrated over 100 years of service, to have one person be a part of that journey for over 50 years is a testament to the man.

I have been fortunate enough to know Paul for all of his years here. He has been nothing short of a great role model to myself and many other junior team members.

Paul leaves a large imprint on the history of the firm, and for that, we have a huge expression of gratitude.

Many thanks, Paul, for the legacy you leave behind.

Cheers Paul!

Stephen Evans

Flashback

With much talk about rising interest rates, many will remember a time when rates were significantly higher than the markets are currently forecasting.

Below is a newspaper clipping from 1990. (Source: linkedin.com/in/michaelyardney).

Housing Finance – Owner Occupied

Variable Rate (effective from 1/10/90) 16.00% P.A.

Fixed Rate (effective from 8/10/90) 3 Years 15.25% P.A. 5 Years 15.25% P.A.

Home Equity Loans (effective from 1/10/90) 18.00% P.A.

FlexiPlus Mortgage (effective from 24/9/90) 17.00% P.A.

These indicator rates are used as a basis to individually determine the interest rates charged on all relevant loans. Full details of terms and conditions will be available on application.

Cash Management Account (effective from 8/10/90)

	Nominal rate	*Effective annual yield
$20,000 plus	12.40% P.A.	13.13%
$5,000-$19,999	11.30% P.A.	11.90%

*Yields are calculated on the basis that interest rates remain constant for 12 months and interest is automatically reinvested in the account for 12 months. Rates are effective for 7 days from Monday of each week.

National Australia Bank

National Australia Bank Limited

Reference Rate* (Effective from 10/9/90) 17.00% P.A.

Index Rate* (Effective from 24/9/90) 17.00% P.A.

*These rates are the basis used for the pricing of variable rate loans.

Deregulated Home Loan

Variable Rate (Effective from 8/10/90) 16.00% P.A.

Fixed Rate (Effective from 8/10/90) 14.75% P.A.

Residential Investment Property Loan

Variable Rate (Effective from 8/10/90) 17.00% P.A.

Fixed Rate (Effective from 8/10/90) 15.75% P.A.

Equity Power (Effective from 8/10/90) 17.50% P.A.

Full details of terms and conditions are available on application.

ANZ

New Definition of Casual Employment

The National Employment Standards allows casuals to convert to permanent employment.

The definition of casual employment has been redefined under the Fair Work Act. An individual will be deemed a casual employee if they accept a job offer from an employer with no firm advance commitment or agreed pattern of work.

These changes affect casual employees based on their initial offer of employment, rather than the subsequent actions. Casual employees who accept the initial employment based on no regular work commitment and then start a pattern of regular work hours will still be deemed casual employees assuming there is no firm advance commitment.

In determining whether the employer makes no firm advance commitment of work to the employee, the following should be considered:

- Can the employer elect to offer work, and can the employee elect to accept or reject work?
- Will the employee work as required and according to the needs of the employer?
- Is the employment described as casual?
- Will the employee be entitled to casual loading or a specific rate of pay for casual employees?

Under these changes to the Fair Work Act, a new entitlement under the National Employment Standards allows casuals to convert to permanent employment. This means an employer must offer conversion to permanent full-time or part-time if the employee has:

- Worked for the employer for at least 12 months
- Has worked a regular pattern of hours for at least the last 6 months on an ongoing basis
- Could continue working those hours as a permanent employee without significant changes.

From when a casual employee has converted to part-time or full-time, they will no longer be entitled to a 25% casual loading and instead accrue the entitlements of annual leave and personal leave on a pro rata basis over 12 months from the day of conversion from being casual.

As of the 27th of September 2021, all employers are required to have given existing and new casual employees a copy of the 'Casual Employment Information Sheet', which outlines the conditions of casual employment.

Employers should review their contracts in place with current staff and vice versa regarding the new definition of casual employment under the Fair Work Act.

Please contact our office should you require any assistance with these obligations and how they may affect you.

Superannuation

What Happens to Superannuation on Death?

Importantly, superannuation benefits are not automatically included in a person's estate to be dealt with as per their Will. Whilst a person is entitled to their superannuation, it is not legally considered their asset.

For this reason, it is important to advise your superannuation fund of what you would like done with your superannuation upon your death. This can be done via a binding or non-binding 'Death Benefit Nomination'.

If such a nomination is not made, the existing, remaining or replacement trustee(s) of the superannuation fund will decide who receives your entitlement (after considering the fund's deed and the superannuation laws). Noting the fund's deed must be followed, even if different from the Will.

Who can receive a superannuation death benefit?

Only the following types of beneficiaries are eligible to receive superannuation death benefits.

- Spouse or partner
- Children
- Inter-dependents
- Financial Dependents
- Estate/Legal Personal Representative

Binding vs Non-binding Nominations

Binding: The fund trustee is bound to pay whoever has been nominated, assuming the nomination is valid and in force at the time of death.

Non-binding: The fund trustee is bound to consider the nomination but is not required to abide by it.

The trustee may consider the circumstances at the time of death, and the needs of the dependents, before determining to whom the benefit is to be paid.

Tax on superannuation death benefits

The tax on the superannuation death benefit will depend on to whom it is paid. If paid to a tax dependent (spouse or child under 18), the entire payment will be tax-free. If paid to a non-dependent, the taxed taxable component will be taxed at 15% (plus Medicare levy) and the untaxed taxable component will be taxed at 30% (plus Medicare Levy) in the hands of the non-dependent beneficiary. If paid to a non-dependent via the estate the Medicare Levy will not apply.

Super Funds Post the Lowest Returns Since GFC

Superannuation funds have recorded their worst performance since the Global Financial Crisis, with the median balanced superannuation fund ending the 2021/22 financial year down 3.3% due to global market instability. This result is the third lowest return since the introduction of the Superannuation Guarantee in 1992. So, what are your options if your superannuation balance has suffered a decline?

Sit tight and have faith

Although easier said, it is important not to panic about negative returns. Superannuation is a long-term investment, so if you are not approaching or in retirement, keep in mind that all market movements in the short term can bounce back. Losses in superannuation are not crystalised until your superannuation is withdrawn or switched to another investment option. This means your superannuation balance will recover over the long term if you sit tight and ride the market volatility wave.

Change superannuation funds

If you have a MySuper fund that is underperforming, you can use the ATO's YourSuper comparison tool to help you compare different MySuper products and choose a superannuation fund that meets your needs.

A MySuper fund is a low-cost superannuation product and is usually the default account for people who don't choose their own superannuation fund when they start a new job.

The YourSuper comparison tool can be accessed by logging in to ATO online services through myGov, clicking on the Super drop-down menu and selecting Information, then selecting YourSuper comparison.

Other non-government superannuation comparison websites can be used which provide some information for free, but some offer more information for a fee. Seeking advice from a financial adviser will often be your best option as your entire circumstances will be taken into account to ensure the comparison information relates to your specific situation.

Take Control

A further option may be to take charge of your own superannuation by setting up a self-managed superannuation fund (SMSF). There are several benefits of having an SMSF, for example, as a trustee you can choose how to invest and manage your superannuation savings. Having greater investment control and flexibility can allow you to have a more hands-on approach to acquiring and selling your investments, which means you can respond quickly by adjusting your investment portfolio as market conditions change. For all the benefits that come along with SMSFs, you must consider the risks (and the work that may be involved) as there are strict laws and regulations that govern SMSFs.

Seek advice

A financial advisor can help review your superannuation to ensure that you are on the right track to meeting your retirement income goals.

Please feel free to contact our resident financial advisor, Gerrit Lombard, if you are uncertain about your options and would like further information.

General

The Tax Consequences of Land Subdivision

It is quite common for individuals to subdivide land they own, and then sell off one of the blocks. Depending on the circumstances, this can have Capital Gains Tax (CGT) and GST implications.

Capital Gains Tax

If you subdivide a block of land, each resulting block is registered with a separate title. For Capital Gains Tax (CGT) purposes, the original land parcel is divided into two or more separate assets.

The profit from selling subdivided land may be a capital gain or ordinary income, depending on the circumstances.

If you subdivide a block of land and sell the new block, any profit is generally treated as a capital gain subject to CGT.

However, any profit you make is treated as ordinary income (not a capital gain) if both of the following apply:

- your intention or purpose in subdividing was to make a profit
- the profit was made in the course of carrying on a business, a business operation or a commercial transaction.

This is true even if you aren't in business (for example, if it's a one-off transaction by an individual).

Where the amount is treated as ordinary income, CGT concessions (such as the 50% discount) are not available.

If you sell any land separately from your home, it is invariably subject to CGT. Only land sold with the home that is your main residence can receive the main residence exemption. Land is adjacent to your home if it is close to, near, adjoining or neighbouring it.

Goods and Services Tax (GST) Gains Tax

You may have GST obligations and entitlements if you sell with the intention of making a profit:

- in the course of carrying on a business, or
- as a business or commercial transaction.

If you're unsure whether your subdivision falls into the above categories, please contact our office.

Even with a one-off transaction, you may still be required to register for GST because your transaction may have the characteristics of a business deal/ enterprise. Whether an enterprise is being carried on (and therefore whether you need to register for and charge GST) will depend on a range of factors.

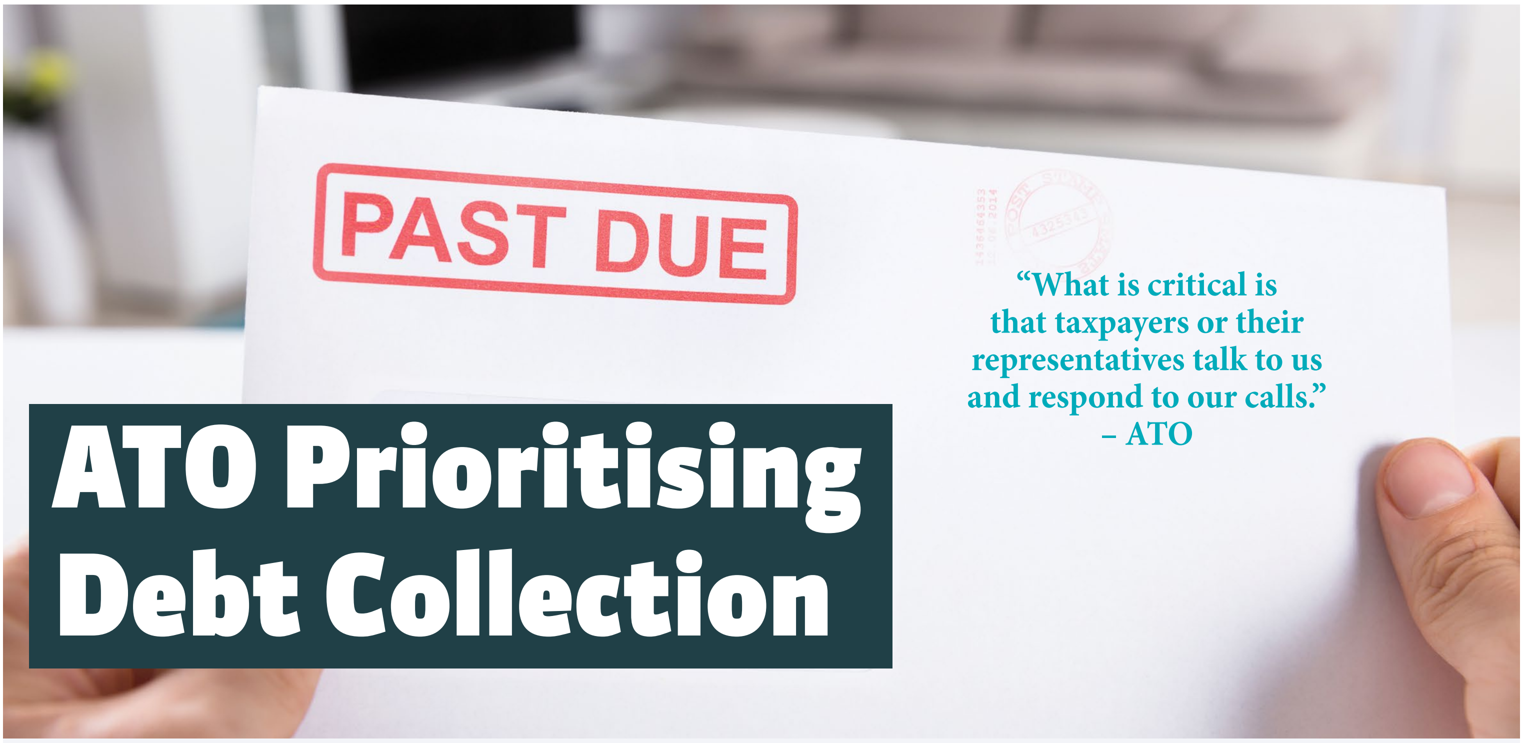
If several of these factors are present it may be an indication that an enterprise is being carried on (as distinct from the land being sold as is):

- there is a change of purpose for which the land is held
- additional land is acquired to be added to the original parcel of land
- the parcel of land is brought into account as a business asset
- there is a coherent plan for the subdivision of the land
- there is a business organisation - for example, a manager, office and letterhead
- borrowed funds financed the acquisition or subdivision
- interest on money borrowed to defray subdivisional costs was claimed as a business expense
- there is a level of development of the land beyond that necessary to secure council approval for the subdivision, and
- buildings have been erected on the land.

Once registered for GST, you will:

- need to include GST in the price of goods you sell, including land that you've subdivided
- be able to claim credits for the GST included in the price of most of your business purchases (subject to the normal GST rules)
- report these transactions by completing an activity statement.

If you are considering subdividing and selling, or even just selling vacant land, we can advise you of the CGT, GST and Income Tax consequences.



ATO Prioritising Debt Collection

> **"What is critical is that taxpayers or their representatives talk to us and respond to our calls." – ATO**

As the economy emerges from COVID-19, the ATO is re-focusing on debt collection.

During the pandemic, the ATO deliberately shifted its focus away from firmer debt collection action to help and assist businesses and the community experiencing financial challenges because of the pandemic. It took a softly-softly approach, acknowledging the financial hardship that the virus wrought on businesses and individuals alike. However, with the economy now opening back up, business as usual on the ATO debt collection front has now largely resumed.

That said, the ATO has confirmed its preferred approach is always to work with taxpayers to resolve their situation through engagement rather than enforcement.

"We have a range of support and assistance we can provide, and we can tailor a solution to a taxpayer's unique circumstances. What is critical is that taxpayers or their representatives talk to us and respond to our calls.

We understand that a lot of people – especially small businesses – have done it tough through COVID and may now have a tax debt. Our message is – don't stick your head in the sand – even if you can't pay the full amount owed straight away, please contact us or your registered tax professional to discuss and we will work with you to set up an appropriate payment arrangement. We cannot help taxpayers who do not engage with us."

Where taxpayers do not engage, the ATO is taking firmer action. This includes garnishees, recovery of director penalties, disclosure of business tax debts, and legal actions including summons, creditors petition, wind-up and insolvency action.

The ATO has also recently written to businesses under two key awareness programs – disclosure of business tax debts and the use of Director Penalty Notices. These programs focus on taxpayers who have not responded to calls and letters – and have significant tax obligations outstanding. The ATO to date has sent 29,552 awareness letters for disclosure of business tax debts and 52,319 awareness letters about the use of Director Penalty Notices (DPNs).

The disclosure of business tax debts measure allows the ATO to report significant tax debts (over $100,000) to Credit Reporting Bureaus (CRBs) under certain circumstances. The measure provides a new level of visibility of significant tax debts for the business community which will allow them to make more informed decisions. Debts subject to a formal dispute or an Inspector General of Taxation and Taxation Ombudsman investigation are not reported until the dispute or the complaint is resolved.

The DPN awareness program makes contact with directors whose company has not met their existing debts including PAYG(W), Superannuation Guarantee Charge and GST. Directors are notified of the ATO's intent to issue a DPN which enables the ATO to commence recovery of the director penalty from each director of the company if the company does not actively manage their debt.

Please contact our office should you have concerns about any outstanding ATO debts.

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How to Avoid a Scam

Scammers may pretend to work for a reputable institution, such as the Australian Taxation Office (ATO).

A scam is fraudulent activity to get you to:

- Pay money
- Share information about yourself that helps someone pretend to be you

Scammers can contact you via phone, email, or text message. They may also pretend to work for a reputable institution, such as the Australian Taxation Office (ATO).

A scammer will often try to get the following from you:

- Information about you
- Your Tax File Number
- Your bank account or credit card number
- Money

A scammer might say things to make you anxious or afraid of getting in trouble, such as:

- Say the police are coming to arrest you.
- Ask you to send information about yourself by email or text message.
- Ask you to click on a link in an email or text message to log on to the online service.
- Ask you to act quickly. This is so you don't have time to stop and think clearly.

Most reputable institutions should never:

- Send you a generic email or text message asking you to reply with your information.
- Send you a generic email or text message with a link to log into online services which request your information.
- Send a pre-recorded message saying the police are coming to arrest you or demanding urgent payment of money.
- Ask for payment by:
  - Overseas wire transfers
  - Cash
  - iTunes, Steam, Google Play, or shop gift cards
  - Cardless cash transfers
  - Cryptocurrency, such as Bitcoin

If you believe you have been contacted by a scammer:

- Hang up on anyone who says they are from the ATO and threatens to arrest you. Noting phone calls from the real ATO will show as 'No caller ID' on your mobile phone.
- Obtain the contact details of the institution in question from a reliable source (i.e., past correspondence, your accountant) and contact them to ask if they needed to speak with you.
- Delete all pre-recorded messages saying they are from the ATO. DO NOT phone them back.

If you get an email or text message from the ATO:

- Consider the above points before actioning it.
- Do not click on any links asking you to log on to an online service with your username and password.
- Contact our office to check if it is legitimate.

If you ever have any concerns regarding an ATO scam, feel free to contact our office, or you can report the scam to **ReportEmailFraud@ato.gov.au**

SCAM

Director IDs: FINAL REMINDER

As of 30 November 2022, all company directors are required to have applied for a Director ID.

A Director ID is a unique identification number that a director will apply for once and keep forever – which will help prevent the use of false or fraudulent director identities.

Directors can apply for a Director ID from the Australian Business Registry Service (ARBS) in the following ways:

Online: Visit www.arbs.gov.au/director-identification-number

Phone: Call 13 62 50

Paper: Request a form from our office or call 13 62 50 and request a paper form be posted to you.

If you would like further information or assistance with applying, please feel free to contact our office.