

News

December 2023 - February 2024

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Reflection Time

As the warm South Australian summer breeze begins to sweep through, heralding the arrival of the holiday season, now is a time for reflecting on the year that has been—one filled with your own challenges, triumphs, and, of course, financial milestones.

We are delighted to share some seasonal reflections and offer valuable insights to ensure a prosperous start to the upcoming year.

Year-End Financial Check-In

As the calendar inches closer to its final page, now is the ideal time for a comprehensive year-end financial review. Take stock of your financial goals, assess the performance of your investments, and consider potential tax strategies. Our team is here to guide you through this process, ensuring that you are well-positioned for a prosperous New Year.

Planning for the Future

As the new year approaches, it brings with it a world of possibilities. Consider this time to revisit your financial goals and aspirations. Whether it's planning

for education, retirement, or investment strategies, our team is ready to collaborate with you to build a robust financial plan that aligns with your dreams.

A Heartfelt Thank You

On behalf of the entire team at R J C Evans & Co, we extend our sincere gratitude for entrusting us with your financial journey. Your success is our greatest achievement. We look forward to continuing this relationship in the years to come.

Wishing You a Joyous Holiday Season

As the festive lights twinkle and carols fill the air, we wish you and your loved ones a Christmas filled with joy, laughter, and the warmth of shared moments. May the spirit of the season bring peace to your hearts and prosperity to your endeavours.



Thank you for a wonderful year, and we eagerly anticipate the opportunities and challenges the New Year will bring. Here's to financial success, growth, and a prosperous 2024!

Incentives

Christmas Break Office Hours

Our office will be closed for the Christmas period from 12.30pm on Friday, 22 December 2023, and reopen at 8.30am on Tuesday, 2 January 2024.

When Two Bonuses Are Not Enough: Introducing The Small Business Energy Incentive!

The Small Business Energy Incentive provides a bonus tax deduction of 20%

If you've been putting off upgrading the inefficient office air-conditioner, a new 20% bonus deduction might just be the incentive you need to help beat the heat before it arrives with a vengeance!

Whilst the Small Business Technology Investment Boost has now ceased, not only can you still take advantage of the Skills and Training Boost (generally for expenditure on training employees incurred before 30 June 2024), but there is also now a new kid in town - the Small Business Energy Incentive!

Similar in design to the earlier 'boosts', the proposed Small Business Energy Incentive provides a bonus tax deduction of 20% of expenditure on improving the energy efficiency of your business. Up to \$100,000 of expenditure can be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 for the 2023-2024 tax year.

What type of expenses are eligible for the bonus?

Where you can show improved energy efficiency, expenditure on electrifying heating and cooling systems, upgrading appliances such as fridges and cooktops, and installing batteries, heat pumps and off-peak electricity monitors can all be eligible. (As always, there are some

exclusions, such as expenditure on motor vehicles, building improvements and financing expenses).

Although this proposed Small Business Energy Incentive is not yet law, it is an opportune time to consider whether your business may want to take advantage of the bonus and undertake the preparation and 'leg work' needed to ensure you can maximise the bonus.

If you are interested in finding out more about either the Skills and Training Boost or the proposed new Small Business Energy Incentive, feel free to reach out to us and we can provide the information and guidance needed to make sure your business gets the most out of both incentives (before they end on 30 June 2024!).

Wise Words From Charlie Munger

Charlie Munger, considered by many as one of the world's most respected and successful investors, recently passed away at 99yo.

He was renowned for his witty quotes concerning his investment philosophies. Below is a small sample:

"The big money is not in the buying or selling, but in the waiting."

"Ask yourself what are the arguments on the other side. It's bad to have an opinion you're proud of if you can't state the arguments for the other side."

"We have three baskets for investing; yes, no, and too tough to understand."

"Live within your income and save so you can invest. Learn what you need to learn."

"Remember that reputation and integrity are your most valuable assets – and can be lost in a heartbeat."

"Go to bed smarter than when you woke up."

The Federal Government is providing grants to Eligible Equipment Suppliers of up to \$30,000

On Farm Connectivity Grant

– Applications close 31 May 2024

To assist Primary Producers in taking advantage of digital agribusiness the Federal Government is providing grants to Eligible Equipment Suppliers of up to \$30,000 to cover up to 50% of the cost of eligible digital farming technology projects purchased by primary producers.

Pre-approved Eligible Equipment Suppliers are invited to apply for the grant, on behalf of primary producers, if the primary producer's business meets the following criteria:

- 1 Is not a hobby farm, and has a registered Australian Business Number.
- 2 Has a 3-year average annual gross income from primary production activities of between \$40,000 and \$2 million.

For the project to be eligible, evidence must be provided that it will:

- 1 Assist Primary Producers to take advantage of agribusiness solutions to boost productivity and improve safety.
- 2 Supply eligible connectivity solutions and associated eligible equipment to an eligible Primary Producer.
- 3 Sell, install and deliver eligible connectivity solutions and associated eligible equipment to the eligible Primary Producer at 50 per cent of the purchase price up to \$60,000 (Primary Producers may spend more than \$60,000, and there is no limit to the amount they may spend, however the rebate will not exceed \$30,000)
- 4 Have at least \$6,000 (GST exclusive) in total eligible expenditure.

For more information on the scheme, please contact our office or visit www.business.gov.au/grants-and-programs/on-farm-connectivity-program

General

Costs of a Caravan/Motor Home For Work-Related Travel



SCENARIO:

I run a small business that requires me to travel quite a lot, particularly to country areas where I will often stay overnight. To save on accommodation costs, I have purchased a caravan. I have a business logo on the side of the caravan that is on display when I attend town shows and events. Will the costs of purchasing and maintaining my caravan be deductible in my individual income tax return?

In these challenging and changing times, many have jumped on the modern version of the proverbial band wagon and purchased a caravan or motor home to use for work or business-related travel.

It is a common misconception that there are specific rules governing whether you can claim a tax deduction for the costs of purchasing and maintaining a caravan or motor home. A caravan or motor home is no different to any other work or business asset you own, and the extent the expenses are deductible will depend upon the extent you use the caravan or motor home for income-producing purposes. The complexity does not arise because the expenses relate to a caravan or motor home, but that the expenses (in

TIP

Keeping a diary would help support your deductions.

our scenario above) are essentially travel and accommodation expenses, and this is an area of tax law that can be difficult to apply in practice.

Travel and accommodation expenses are deductible under the tax legislation where you incur these expenses gaining or producing assessable income, or they are necessarily incurred in carrying on your business.

Travel between two unrelated work locations is also deductible where neither of the two work locations is your home (although in this case, the costs may still be deductible under the general deduction provision).

Travel costs will not be deductible if they are a prerequisite to earning income, if you are living away from home (rather than travelling on work) nor if they are as a result of your own personal choice or circumstances, eg, the costs are not deductible just because you decide it is more convenient to stay overnight. It would seem that if it is reasonable that you would stay overnight rather than travelling to and from a location within a day, and the reason cannot be attributed to a personal choice, then it is

more likely the travel would be viewed as work-related. Keeping a diary would help support your deduction (and is necessary as a sole trader travelling for six or more consecutive nights).

Generally, the depreciation and GST claim on a caravan or motorhome will not be limited by the car limit (currently \$68,108). This is because, a caravan or motorhome (designed to carry a load of more than one tonne) is not a 'car' as defined in the tax legislation.

What if my business logo is on the side of the caravan?

The good news is while the cost of the business logo will ordinarily be tax deductible as advertising, the bad news is the ATO is firmly of the view that placing a business logo on the side of a caravan (or any type of motor vehicle) will not turn private travel into business travel, even if the signage is affixed permanently. This means if the travel expenses are not tax deductible without a logo, the travel expenses will not be deductible with a logo.



Property Developers – And Would-Be Ones – Beware!



For property developers - or would-be property developers – a recent decision of the Federal Court may be of interest.

In *Makrylos v FCT* [2023] FCA 971, land acquired by a property developer was treated as trading stock from the date of its original acquisition, and not a later date proposed by the taxpayer. This meant, among other things, that his profit was calculated on the original purchase price of the land and not the later (and larger) market value at the time it had been “ventured” into the relevant property development activity, as claimed by the taxpayer. It also had an influence on what costs he could claim as a deduction and when he could claim them.

The Federal Court came to its decision notwithstanding that the taxpayer lived on the property at various times. However, the taxpayer was also an experienced property developer who subdivided the land, albeit this was not required for the construction of a family home and caretaker’s residence, which is what the taxpayer claimed was his original intention for the land.

The fact that the taxpayer periodically lived in the dwelling on the land but left it vacant for significant periods did not assist him as the Court found that his intention from the time when he purchased it was to treat it as trading stock of his business.

The Federal Court said that it would have come to the same result even if he was not a property developer, but had

“merely” acquired it for profit making purposes in a one-off transaction.

If you buy property for property development purposes, for which documentary evidence exists, it may not matter if you rent it and/or live in it first, especially if you are a property developer.

And one thing for sure, it won’t help if you staked out the property for subdivision purposes soon after you acquired it!

If you are thinking of acquiring land for property development purposes, please feel free to contact our office to discuss the potential tax implications.

Avoid Schemes Targeting SMSFs

Sometimes promoters of schemes target self-managed super funds (SMSFs). Schemes can include tax avoidance arrangements that inappropriately channel money or assets into your SMSF so you pay less tax.

They may also include arrangements promoting the illegal early release of benefits from your fund for personal use.

To assist you with identifying schemes that may jeopardise your SMSF’s compliance, the ATO recently updated its web content to provide more information:

- Schemes targeting SMSFs
- Residential property purchased through illegal schemes.

Remember, if:

- You’ve been approached by someone who recommends you set up an SMSF or use your existing SMSF to participate in one of these schemes or a similar arrangement, you should check the ASIC Financial Register to make sure they have a financial licence. If you’re in doubt, you should seek a second opinion

from a licenced adviser who is independent from the scheme (such as our office).

- You’re already dealing with a suspected promoter of an SMSF scheme, then you should contact our office or the ATO immediately for help.

Don’t be tempted by ‘too good to be true’ schemes. You may risk losing some or all of your retirement savings and receive significant penalties if you enter into one of these schemes. You could also be disqualified as a trustee of your SMSF and may be required to wind up your fund.

Tax

Taxing Christmas

Whilst not wanting to put a dampener on the Christmas cheer, the festive period is a tax minefield for employers. There are many different ways to reward employees and thank clients however the Fringe Benefits Tax (FBT), Goods and Services Tax (GST) and Income Tax implications will differ. The below table provides a useful summary of the variations in tax treatment.

Tax implications of Christmas functions¹

Location	Provided to:		
	Clients ⁵	Employees and associates	
		\$299 (GST inc) or less per person ^{2 3 4 7}	\$300 (GST inc) or more per person ^{4 7}
On employer premises • current employee's cost only • on working day ⁶	No FBT ⁵ No deduction No GST credits	No FBT No deduction No GST credits	No FBT ⁴ No deduction No GST credits
On employer premises • all other scenarios eg an associate on any day or employees on a non-working day ⁶			FBT Deduction GST credits
Off employer premises • e.g. at restaurant			FBT Deduction GST credits

Tax implications of Christmas gifts¹

Gift	Provided to:		
	Clients ⁵	Employees	
		\$299 (GST inc) or less per person ²	\$300 (GST inc) or more per person
Non-Entertainment ⁸ e.g. bottled spirits, groceries, hampers, department store gift voucher	No FBT ⁵ Deductible GST credits	No FBT Deductible GST credits	No FBT Deductible GST credits
Entertainment ^{8 9} e.g. theatre tickets, holidays, hired entertainers	No FBT ⁵ Deductible GST credits	No FBT No Deduction No GST credits	No FBT Deductible GST credits

- The table applies to non-tax-exempt employers only and does not include the implications for tax exempt or rebatable employers, food and drink provided in an in-house dining facility for any employer, or in-house benefits.
- Assumes similar, identical or connected benefits are not provided regularly or frequently, the benefit is not provided under a salary sacrifice arrangement and it would be considered unreasonable to treat as a fringe benefit – see Minor benefits in article.
- Assumes using actual or 12-week method to calc FBT on meal entertainment – if using 50:50, minor benefit exemption not available.
- Assumes using actual method to calc FBT on meal entertainment – “property benefit exemption” not available for 50:50 or 12-week method.
- FBT only applies in respect of benefits provided to employees and associates of employees.
- A working day is any 24-hour period during which work is usually performed by the employee (TR 97/17 paragraph 44).
- Where entertainment is provided to employees and non-employees jointly, and employer is using the actual method, ATO will accept “per head” apportionment (TD 94/25).
- TD 94/55 provides examples and outlines characteristics used for determining whether provision of property is entertainment. In particular, the timeliness of the entertainment derived from the property (ie, if entertainment occurs soon after provision of property, the usefulness of the item of property expires after consumption, or item of property is returned at completion of use) and the direct connection to entertainment (ie, if entertainment arises from use of the item or is the expected outcome of the provision of the property).
- Refer Table 1 where the gift is entertainment by way of food or drink.

Who Can I Nominate As My Super Beneficiary?



Your superannuation death benefits must be paid to someone when you die. That somebody will usually be your estate or your nominated beneficiary (also known as your dependants).

Paying death benefits to your estate

Unlike other assets such as shares and property, your superannuation and any insurance benefits you have in superannuation do not form part of your estate. That's because your superannuation is not held by you personally, rather it is held in trust for you by the trustee of your superannuation fund.

However, you can direct your superannuation death benefit to your estate by nominating your "legal personal representative" (LPR), who will usually be the executor of your estate.

If you nominate your estate or LPR, you must also specify in your Will who you want to distribute your superannuation money to. This can include eligible beneficiaries (see below) as well as anyone else you wish to leave your death benefits to.

As such, it's important that the directions stated in your Will are up to date so your LPR pays out your death benefits (as well as your other estate assets) as per your wishes.

Paying death benefits to a beneficiary/dependant

If you want your superannuation death benefits to be paid to a person, that person must be a "dependant" for superannuation purposes.

The meaning of dependant is important as it determines who can receive a death benefit, whether the death benefit will be taxed and what form your death benefit can be paid out (ie, lump sum, income stream, etc). In particular, superannuation law determines who can receive your superannuation directly from your superannuation fund without having to go through your estate. These people are your superannuation dependants. Tax law on the other hand determines who pays tax on your superannuation death benefit. These people are considered tax dependants.

The following table summarises the difference between:

- A superannuation dependant and tax law dependant, and
- The types of death benefit that can be paid to each category of dependants.

	Super dependant?	Tax dependant?	Can death benefits be received directly as a lump sum?	Can death benefits be received as an income stream?
Spouse (includes de facto and same sex)	Yes	Yes	Yes	Yes
Former spouse	No	Yes	No	No
Child under age 18	Yes	Yes	Yes	Yes ¹
Child aged 18 or over	Yes	No	Yes	No
Interdependent relationship	Yes	Yes	Yes	Yes
Financial dependant	Yes	Yes	Yes	Yes
Individual who receives a super lump sum because the deceased died in the line of duty ²	No	Yes	Yes	No

1. Income stream must be commuted by the time the child turns 25, unless the child has a prescribed disability

2. Deceased died in the line of duty as a member of the Defence Force, Australian Federal Police, the police force of a state or territory, or as a protective service officer.

As can be seen, the key differences between the superannuation and tax dependant definitions are:

- a tax dependant does not include an adult child (whereas a superannuation dependant does), and
- a tax dependant includes a former spouse (whereas a superannuation dependant does not).

Although your financially-independent adult children are your superannuation dependants and can receive a death benefit directly from your superannuation fund, they are not tax dependants. This means they will not receive more favourable tax treatment than a tax dependant would receive unless they qualify under an 'interdependency relationship' or are financially dependent on you.

A tax dependant will generally not pay any tax on superannuation death benefits. In contrast, a non-tax dependant is taxed on any taxable components of a superannuation death benefit. This could be up to 15% tax plus Medicare levy on any taxable component and potentially up to 30% plus Medicare levy for any taxable untaxed elements within your fund.

Tip – if you would like to leave your superannuation to someone who is not a dependant under superannuation law, you could consider nominating your LPR and then use your Will to determine how you would like superannuation death benefits to be paid.

For example, if you wish to nominate your parent or financially-independent sibling, or a cousin or friend, you could make a binding nomination to your LPR and then instruct them on how to divide your superannuation through your Will.

Need help?

Please contact our office if you would like further information about who you can nominate to receive your superannuation death benefits.

Christmas Traditions Unmasked

Many Christmas traditions have been occurring for decades or even centuries in some cases. They have become an integral part of celebrating Christmas but where do these customs come from or how did they start?

“Xmas” is not a recent term

Contrary to popular belief, “Xmas” is not a trendy attempt to “take Christ out of Christmas”.

In the Greek language, the word Christmas (Christ) begins with the letter “X,” or chi.

Most scholars agree that the first abbreviation for Christmas dates to 1021. Parchment paper was quite expensive, so any techniques for saving space were welcome. The abbreviation stuck and was eventually shortened to Xmas.

Santa Claus is based on St Nicholas of Myra

The history of Santa Claus dates all the way back to the third century, to a Turkish Monk named St Nicholas, who was famous for helping the poor and sick.

In Dutch, his name is “Sinter Klaas”, which later morphed into Santa Claus.

Santa

Coca-Cola played a big role in shaping the image we currently have of Santa.

In 1931, Coca-Cola commissioned the artist, Haddon Sundblom, to paint Santa Claus for the company’s Christmas advertisements. Inspired by the 1823 poem “A Visit from St Nicholas”, the artist created the warm, jolly character we all know today, complete with rosy cheeks, a white beard, and twinkling eyes!

“Jingle Bells” was the first song played in space

On 16 December 1965, this classic Christmas song was broadcast during NASA’s Gemini 6A space flight, according to the Guinness World Records.

Astronauts Wally Schirra and Tom Stafford on board the Gemini 6A space flight told Mission Control that they saw an unidentified “flying object” about to enter Earth’s atmosphere, travelling in the polar orbit from North to South! Just as things got tense, they interrupted the broadcast with “Jingle Bells”, as Wally played a small harmonica accompanied by Tom shaking a handful of small sleigh bells. It was a Christmas prank from the astronauts to Mission Control!

Rudolph was a marketing gimmick

“Rudolph, the Red-Nosed Reindeer” made his debut in 1939 in a give-away coloring book created by a copywriter for the Montgomery Ward department store.