



CHARTERED ACCOUNTANTS

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# END OF YEAR UPDATE 2019



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## 2020 vision, planning for the new year

**The end of year period is a busy time for everyone, not just at work but preparing for the holidays and the New Year.**

For retailers, a large portion of their yearly sales may come from this period and service businesses can be equally overwhelmed. For other industries, the year end can be one of the slowest times of the year. Clients might be away, employees aren't around to finish projects and the phones don't ring. That makes this a perfect time to plan for the next year.

### Work on your marketing plan:

Having marketing goals is essential for promoting your business, but knowing the best way to achieve these goals is what makes a successful plan. Take a look at your marketing throughout the year and assess what worked and what didn't. You can do this by tracking your email marketing and using social media analytics. You could even compose emails to send in the first week back to increase your business as soon as customers have finished their holidays.

### Mid-year tax planning:

It may be the end of the calendar year, but it is right in the middle of the financial year. While large changes to tax plans are best done at the end of June, now is a good time to check on your finances and see if there are any urgent changes you need to make. Consider setting up a meeting with your advisor to discuss ways you could be reducing your tax liability or strategies for the new year.

### Go green:

While there are initial up-front costs of going green, the long-term savings will be substantial and you will also be reducing your carbon footprint which is great for everyone. Reducing paper use is good for the environment and will save you money by eliminating the costs of buying paper and printing supplies. Turning off appliances at the

power point before you leave, replacing lighting with LED bulbs and taking advantage of natural lighting are easy power-saving tips you can implement. Going green can also improve your business' reputation and attract clients in the new year.



*Everyone at WLP Accountants would like to wish you a very Merry Christmas and a safe and pleasant holiday period.*

*Our office will be closed over the Christmas break from Friday 20 December to Monday 13 January 2020.*

## Securing your business over the break

**With crime rates often spiking over the holidays, the physical and cybersecurity of your business may be at risk.**

The Christmas period is a time to relax and destress, but it is important to protect all elements of your business while you are away. Now is the time to update security measures to ensure you are best protected into the new year.

### **Secure the premises:**

The security of your office or storefront is particularly important during the holidays as there is no one coming into work. If an employee does wish to come in during the break, it benefits to have a company known policy about security measures. Your security policy should include protocols for locking up valuables, rules about inviting guests into the workplace for holiday functions and a security action plan in case of an emergency. Assessing security equipment is a good practice before leaving for the holidays. Updating locks,

installing smart technology such as motion sensor lighting, utilising security cameras and an alarm system can all help prevent unwanted visitors while you are away.



### **Secure the tech:**

Protecting the online elements of the business is just as important as the physical. Simple ways to look after the cyber aspects of your business are things like changing passwords prior to leaving for the holidays and scanning your networks for malware. For the highest value data, backup and encryption ensures solid protection. Storing important data on a remote network can also help protect work in the event of theft. Business owners need to be aware that these measures cannot prevent a data breach, but rather serve as an added layer of protection if a breach occurs.

## Employers responsibilities don't stop at the Christmas Party

The holiday period is just around the corner and the excitement of the annual work Christmas party is setting in.

End-of-year celebrations are an excellent way for employers and staff to reflect on their achievements of the year and to develop their relationships with one another. However, it is also important for employers to consider the potential hazards which may arise and their legal obligations that stand when holding a work function. Employers maintain a duty of care and must meet OH&S standards to ensure the end-of-year celebration does not go awry.

Employers can be placed at risk as a result of sexual or emotional harassment an employee becomes subject to. Areas such as drug and alcohol use, conduct, confidentiality and breach of company policies or procedures need to be given special caution.

All employees attending the party should be reminded of their responsibilities and expected standard of behaviour before the event. They should be informed that normal disciplinary procedures will apply for any form of misconduct that takes place. Setting the standard prior to the party helps to prevent issues and ensures employees are aware of the repercussions if they do not behave appropriately. For serious matters, formal action should be taken in the days following and not simply left to deal with in the New Year.

Employers should visit the Christmas party's venue prior to the event and carry out a risk assessment to ensure that occupational health and safety requirements are met. This should be done bearing in mind that attendees may be under the influence of alcohol. Even small hazards like a wobbly chair could be potentially dangerous and worth eliminating.

As Christmas parties may involve alcohol, employers must take reasonable steps to ensure beverages are provided responsibly. Alcohol will need to be served by qualified personnel, as required by the responsible service of alcohol regulations. 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. For this reason, it is a good idea for employers to organise safe travel arrangements for their employees, such as hiring a bus or organising a taxi. This will ensure that drink driving-related incidents are avoided and employees can enjoy their night and return home safely.

Be sure to define the start and end time of the event and stay clear of endorsing any 'after-parties' held once the official Christmas party is finished. If employees choose to continue partying and the after-party is not arranged by your company, ensure this is made clear. Employers can easily find themselves in a legal nightmare if they fail to do so.

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.

## Hiring working holiday makers

**As the holidays approach, so do the overseas workers wanting to experience an Australian summer.**

Australia employs approximately 100,000 working holiday makers each year. Any employer can hire working holiday makers provided they meet the requirements to do so. Employers must confirm the working holiday maker has a valid visa subclass, either 417 (Working Holiday) or 462 (Work and Holiday).

### Register:

Employers will need to register to apply the 15% working holiday maker tax rate and declare they are aware of the obligations associated, including complying with the Fair Work Act 2009. Working holiday makers can't claim the tax-free threshold and must provide their tax file number (TFN).

Employers who do not register must withhold tax at 32.5% from every dollar earned up to \$87,000, and foreign resident withholding rates apply to income over \$87,000. Those who do not register may be subject to penalties.

### Working holiday maker tax rate:

Once registered, employers can withhold 15% from every dollar that a working holiday maker earns up to \$37,000. Tax rates change for amounts above this. The tax rate applies to all payments made to working holiday makers, including:

- Salary and wages.
- Termination payments.
- Unused leave.
- Back payments, commissions, bonuses and similar payments.

### Super payments:

Eligible workers are entitled to receive super payments from their employers. When leaving Australia, working holiday makers can apply to have their super paid to them as a Departing Australia Superannuation Payment (DASP). The tax on any DASP made to working holiday makers on or after 1 July 2017 is 65%.

### Payment summary:

Unless reporting through Single Touch Payroll, employers are required to provide a payment summary to every working holiday maker they employ. All payments to a working holiday maker must be shown in the gross income section of the payment summary and identified using H in the gross payment type box. This is to help your worker to prepare their income tax return. Employees who previously held a working holiday visa but do not anymore will need two payment summaries for the financial year, one for the period they held a 417 or 462 visa and one for the period when they did not.

## Non-compliant payments to workers no longer tax deductible

Businesses can no longer claim deductions for payments to workers if they have not met their pay as you go (PAYG) withholding obligations.

This applies to income tax returns lodged for the 2020 income year onwards. Any payments made to a worker where PAYG amounts haven't been withheld or reported are called non-compliant payments.

Where PAYG withholding rules require an amount to be withheld, businesses will need to withhold the amount from the payment before they pay their workers and report the amount to the ATO.

Businesses that don't comply with PAYG withholding and reporting obligations may lose the deduction for that payment and face penalties that apply for failure to withhold and report amounts under the PAYG withholding system.

Withholding an incorrect amount by accident or making a mistake when reporting, however, will not result in a loss of the deduction. Businesses can correct mistakes by lodging a voluntary disclosure form to minimise penalties.

## Holiday travel and estate planning

**During the rush of planning holiday travel, we can often forget to organise what could potentially affect our lives and loved ones the most, estate planning documents.**

Estate planning is about future proofing - it is not just about when you pass away, but also about protecting your children and assets if you are unable to do so. If you are stuck overseas or are in trouble, you will need to have a Power of Attorney or an Enduring Guardianship in place so that the people you have nominated can help you in your situation.

A Power of Attorney is a legal document that allows an individual or organisation to act on your behalf. Appointing a General Power of Attorney gives the attorney wide powers to undertake actions on your behalf, such as dealing with property or paying bills. However, if the Will Maker dies or loses mental capacity a General Power of Attorney ceases. An Enduring Power of Attorney can be appointed to overcome these limitations.

An Enduring Guardian is someone you appoint to make lifestyle, health and medical decisions for you when you are not capable of doing so yourself. Enduring Guardianship will only come into effect if or when you lose capacity and will be effective during the period of incapacity, and may therefore never become operational. This is a good way to plan for the future, particularly for unforeseen situations.

A Power of Attorney and Enduring Guardian are complementary documents that can be made separately or together. This gives you more choice as to who would have the authority to make decisions across all areas of your life if you are unable to make these decisions for yourself. Before travelling over the holidays, ensure these important documents are in place so you and your loved ones will be taken care of, and matters can be settled the way you choose. Some questions to consider before travelling are:

- Have you named guardians for your children?
- Did you create powers of attorney and/or enduring guardians in case you get into an accident and cannot make decisions about your health or finances
- Have you outlined specific medical details? E.g. are you an organ donor?
- Have you updated all your beneficiary designations?
- Are your last wishes laid out for your family?
- Can someone locate these documents, either physically or electronically?

You may think estate plans are only for the wealthy. Think again as people with minor children, blended families, small business assets and self managed superannuation funds or the potential to inherit a sizeable sum need to also plan for their incapacity or death .

We are able to assist you with implementing an estate and succession plan to ensure your wishes are carried out with minimal risk of disputes down the track.

As part of the estate planning process we identify assets that fall within the bounds of your will and those assets such as superannuation benefits and assets held within family trusts and private companies that do not form part of your deceased estate. We will identify any potential tax issues on distributing assets from the estate and work with your legal advisor to provide the optimum outcome . An estate plan together with a succession plan for assets outside your estate will help to provide an efficient distribution of your assets to your beneficiaries and avoid the risk of disputes within the family. Planning ahead will potentially minimise tax and legal costs later on.

Please contact our office for an appointment to discuss your estate and succession planning needs before it is too late!

## FBT-free gifts this Christmas

With Christmas spirits high, tax doesn't usually come to mind when employers are buying gifts for their staff.

Employers can avoid FBT by providing employees with gifts that cost less than \$300 per employee. This threshold applies to each benefit provided, not to the total value of all associated benefits. Employers should also be aware that some fringe benefits may need to be included on payment summaries.

Non-entertainment gifts below the threshold price are usually exempt from FBT, and an employer can also claim tax deductions and GST credits for every non-entertainment gift they give to staff members. 'Non-entertainment' gifts actually cover a wide range of presents such as hampers, wine, gift certificates, clothes, beauty products, and flowers. 'Entertainment' gifts would be things like tickets to the theatre, sports events, and concerts.

## How to keep your Christmas party tax-free

Throwing a Christmas party for your staff can be a great way to show appreciation and have some fun, but tax implications of a party can be surprising and costly.

Before hosting a staff Christmas party, employers should be aware that the majority of the time, a party would be considered 'entertainment' and is therefore not tax-deductible. Depending on the nature of the event you may have to pay fringe benefits tax (FBT), which is a tax that applies when an employer provides a benefit other than a regular wage or salary to their employees.

Luckily, there are some exemptions of FBT that could save your business some money. Minor benefits are provided to employees on infrequent occasions for expenses of \$300 or under, so limiting the cost to \$300 per head at your party will keep things tax-free.

For taxation purposes, the party would be considered 'entertainment' if it was held at a venue such as a restaurant, cafe, theatre, or nightclub. Tax can be avoided by hosting the party on business premises on a working day. Having the party guest list restricted to current employees can keep the event FBT free. If employees bring an associate, they can still be exempt from FBT given that the cost of the employee's guest does not exceed \$300, inclusive of GST. If the cost is more than \$300, FBT is applicable on the associate's portion of food and drink, however, a tax deduction and GST credit can be claimed. FBT does not apply to the cost of clients attending the Christmas party, however, their portion of the cost cannot be claimed as an income tax deduction or GST credit.

Another option to consider when dealing with FBT paperwork is the 50-50 split method, where the Christmas party would be subject to an FBT liability of 50% of the total cost, making it tax deductible. The other 50% of costs would be non-deductible irrespective of whether it was provided to employees or their associates.



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