END OF YEAR UPDATE

FOR YOU AND YOUR BUSINESS

2021

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STAPLING SUPER FUNDS IN THE NEW YEAR

Employers will have a new obligation towards new employees and super going into the new year.

From 1 November 2021, "stapled super funds" have been introduced to minimise the occurrence of multiple super funds attributed to one employee. Where no choice is made of a superannuation fund by a new employee, the employer will no longer be able to nominate a default fund.

Instead the name of the employee's "stapled super fund" must be sourced from the Australian Taxation Office (ATO). Your registered tax agent can also assist you with this process.

This stapling has been put into place so that employees entering into the workforce will have a super fund that follows them throughout their employment.

Approaching the holiday period, you may be looking into engaging new employees to help your business. If you do, you will need to ensure that you are abiding by the new rules around stapling.

As an employer, you legally cannot provide your employees with recommendations or advice about super unless you are licensed by ASIC to provide financial advice. You can give your employees information about choosing a fund, however, including:

- Why they need to choose a super fund
- The process of choosing a super fund
- Your obligations as an employer to pay the super guarantee
- How they can nominate their chosen fund

Remember, registered tax agents and BAS agents can help you with your tax and super queries.

AND SOME FBT UNDER THE PEAR TREE...

The end of the year might be the time that you look for ways in which to say thank you to your hardworking employees, especially after the challenges of the past 12 months.

While a work Christmas party may have been a previous method that you have employed to demonstrate this, the expense of it could be a deciding factor. Christmas parties are regarded as "entertainment" expenditures, which means that they are not tax-deductible, and the employer may have to pay FBT if the party costs $300 or more per person.

With potential COVID restrictions for venues and the costs involved with hosting, an end of year party might not be feasible for your business this year.

Instead, it may be a better idea to thank your staff through the act of giving certain items known as "non-entertainment" gifts. These non-entertainment gifts cost less than $299.99, are fully tax-deductible and carry no FBT.

Non-entertainment gifts are usually exempt from FBT when the total cost of the gift is less than $299.99 (inclusive of GST). An employer can also claim tax deductions and GST credits for every non-entertainment gift they give to staff members. These types of gifts could include beauty or skincare products, flowers, wine, gift vouchers or hampers.

If you provide a similar gift to the spouse/partner of an employee, the FBT exemption will also be valid. This can be a nice way to say thank you to the hard-working members of your staff while promoting a positive work culture.

Providing your employees with gifts that are considered to be "non-entertainment gifts" but cost $300 or more (including GST) is less tax effective. Even though the gift giver can still claim a tax deduction and GST credit, FBT must be paid at the rate of 49%.

You can still give staff members entertainment gifts as a way of saying thank you, though this is a less beneficial and tax-favourable option from an employer's point of view. Examples of entertainment gifts include tickets to a play, sports event or theatre.

These gifts may not be FBT payable if they cost less than $299.99 (including GST), or claimable for a tax deduction or GST credit. However, if they cost more than $300 (including GST), an employer can claim a tax deduction and GST credit, but FBT is payable at a rate of 49%.

Some fringe benefits (such as these gifts) may need to be included in payment summaries. When the value of certain fringe benefits amounts to more than $2,000 in an FBT year, it is your responsibility to record that amount in your payment summary.

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GETTING READY FOR THE HOLIDAY CLOSEDOWN PERIOD

With plenty of disruptions already happening this year to businesses across the country, ensuring that the holiday shutdown for your business goes smoothly is more important than ever.

Notify employees of the shutdown

It is always wise to notify your employees formally of the shutdown, whether that be through a printed memo, email, etc. You legally need to give them 14 days of notice, and as this time of year can be very busy and chaotic it can be quite easy for them to forget a quick conversation. By having the closedown plans in writing, you can also prove you have given adequate notice should any legal issues arise.

Making leave arrangements easier

To avoid issues with staffing and conflicts resulting from leave, it's also best to give plenty of notice in preparation. Since the end of the year can be an expensive time for employees, it's best to head off conflicts about taking time off before they can escalate.

Check off the end of year to-do list

Coming back to work after the EOY shutdown can be quite tumultuous, particularly if the employees haven't completed appropriate tasks before closing down. Appropriate tasks should include:

- Notifying clients of the office's closing dates and reminding them that there won't be anyone to help them for the set time frame.
- Diverting calls and emails, or setting up a vacation responder letting clients and people know when a response may be likely.
- Wrapping up any projects before going on leave.
- General office clean up such as cleaning out the fridge, taking out the rubbish and turning off appliances, etc.

LOOKING TOWARDS FBT STRATEGIES FOR 2022

There's no better time to start reviewing how your business approaches entertainment expenses than as the end of the year approaches. Doing so could help you find new approaches and strategies to simplify how you handle fringe benefits.

Optimise the savings your business could be making by reviewing your calculated method annually. Work out what method of calculation works for your business, depending on what fringe benefits you might provide. The 50/50 method, 12-week register method and the actual method might suit your business's needs best and enable better savings.

In looking towards 2022 for FBT:

- Ensure that employees understand and clearly define meal and entertainment expenses (which can be claimed as FBT). Simplify the process so that the quality of the data provided can improve from a compliance and calculation perspective.
- Provide appropriate documentation of all expenses (such as receipts) and have good record-keeping procedures in place.

Minimising your FBT liability by evaluating the effectiveness of your business's calculated method.

If you are looking for a way to maximise your savings and approach FBT a little differently in 2022, we can assist you in determining an FBT strategy to suit your needs.

PUT YOUR HOLIDAY MONEY TOWARDS YOUR SUPER THIS YEAR

The holidays can be an expensive time of the year but for those who may not be able to indulge in their usual travel plans, you could find yourself with some unexpected extra savings. By investing those savings into your superannuation fund through concessional contributions, you could put the money to good use.

The general concessional contributions cap limit was raised to $27,500 from 1 July 2021. If you have unused concessional contributions from the previous year, you may be able to add that total amount to the $27,500.

The unused concessional cap is available if the following criteria are met:

- The total super balance at the end of 30 June of the previous financial year is less than $500,000; and
- Concessional contributions are made in a financial year that exceed the general concessional contributions cap

If concessional contributions of less than the general cap are made in a financial year the contributions will count towards the current year contribution cap and the carry forward unused cap will not be affected.

While a trip away may bring short term enjoyment, investing in your superannuation through concessional contributions could produce long-term benefits.

PREPARING YOUR TAX FOR THE HOLIDAYS

With the hustle and bustle of the holiday season, you may be looking for ways to prepare for the coming year.

Tax might not be at the forefront of your mind, but preparing your taxes for the holidays should be a cost-saving measure that you put into place as soon as possible.

Here are some of the ways that you can prepare your tax for the holidays;

- Charitable giving is a powerful way to lower taxes while also supporting a cause you care about. The holiday season is the perfect time to think about income tax deductions.
- Purchase long-term assets that can add profit to the business.
- Be sure that your record-keeping for the year is in order.
- Sell off the investments that have been performing poorly (harvest your losses now to avoid extra tax).
- Think about your more complex tax situations now - if you are in the process of a major transaction, you will want to begin analysing what you owe and could claim back as soon a possible.

If you want to look towards 2022 with a fresh tax perspective, speak to a registered tax agent to help strategise a plan to suit you.

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For further information or assistance, please contact:

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