

CLIENT ALERT

Winter 2024



FACING ECONOMIC CHALLENGES TOGETHER



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Predictions from the weather experts are that this Winter should be milder than usual. Given the fact that weather predictions are a bit hit and miss, let's hope the predicted milder conditions also translate into milder economic conditions – for as we painfully know, there doesn't appear to be any respite from the uncertainty that is still very evident in relation to the economy, caused mainly by continued high interest rates, high inflation and global tensions.

While it's always important that we seek professional advice in relation to our own personal wealth management plans or general business planning, it's even more critical in this economic climate to establish strategies for income and asset protection, ensuring the sustainability of business revenue, and continually fostering growth.

The teams in our wealth management and business advisory divisions are continually providing the firm's clients with relevant advice in the present environment to ensure their wealth plans and personal or business goals remain intact. Meanwhile, our tax consulting division continues to ensure that all direct and indirect tax matters are addressed. Strategy adjustments also extend to our corporate and audit services division, which is well-equipped to address audit needs should a company reach a point where an audit is legally required, or if it's deemed that the added financial reporting credibility that an audit provides is beneficial.

We have been addressing many of the important concerns through our events program, which is back in full swing and focusing not only on wealth management topics to help us navigate various issues and uncertainties, but also on latest developments in terms of changes to the Fair Work legislation, developments in the not-for-profit space, Sustainability reporting requirements and various financial reporting updates. Look out for details of our upcoming events as we'd love to have you join us for whichever events are relevant to you.

Our commitment to keeping clients informed about these developments is all part of our client service focus, which was most recently reflected in HLB Mann Judd again being named Best Accounting & Consulting Services Firm in our category at the annual national Client Choice Awards. This is our ninth win in this category in 12 years and, as we've acknowledged in the past, whilst we don't set out to win awards, we certainly do appreciate this recognition especially as it is voted for by our clients. The award represents the first-class experience that we all work so hard to provide for the firm's clients, and we couldn't achieve this accolade without the collective efforts of our terrific team.

We were also thrilled with the news that our international network, HLB International, has moved up two places to the 8th largest accounting network globally. This is testament to the fact that member firms are growing, as well as new member firms believing that the HLB brand is a better fit compared to their previous network or choosing HLB due to our excellent global reputation. What does this mean for us in Perth? For our clients, a growing international network means having contacts in overseas offices to assist you with any expansion plans.

In mid-May, we proudly celebrated the news that HLB has once again been recognised globally as a Most Loved Workplace® for the second year in a row. This certification is based on the positive scores on the Love of Workplace Index™, where employees rated various aspects of satisfaction and sentiment, including respect, collaboration, support, and a sense of belonging within the firm. As before, such a distinction is made possible by our people-first approach. HLB's commitment to nurturing its corporate culture ensures a professional environment where staff have the opportunity to flourish, as we provide fair and exciting opportunities for all our people.

The firm's partners and managers have also recently returned from our annual Australasian Association conference, held this year on the Gold Coast in Queensland. It was fantastic to reconnect with colleagues from across the HLB Australasian network after last year's gathering in Sydney. The theme for this year's conference was 'Keep Moving' and provided an excellent backdrop for us to exchange ideas, network, and collaborate on new initiatives that will help us continue driving our business forward.

ATO CLEARANCE CERTIFICATES TO BECOME MORE IMPORTANT ON PROPERTY SALES



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Long gone are the days where a taxpayer could enter into a property transaction without the need to jump through hoops or complete additional compliance tasks imposed by the Government. Unfortunately, this looks set to continue.

In December 2023, the Federal Government released its Mid-Year Economic and Fiscal Outlook Report, which included proposed changes to the Foreign Resident Capital Gains Withholding regime (FRCGW). These included an increase in the FRCGW tax rate from 12.5% to 15% and a reduction in the withholding threshold from \$750,000 to \$0 for contracts entered into from 1 January 2025.

Under the current regime, purchasers of Australian real property from foreign resident vendors are required to withhold 12.5% of the property purchase price and pay it to the ATO, where the market value of the property is \$750,000 or more.

The regime is intended to ensure the ATO can collect foreign residents' Australian tax liabilities upfront in order to address the issue of some foreign residents not reporting their CGT liabilities when selling Australian real property.

The regime could also apply to purchasers from Australian resident vendors if they did not provide the buyer with a clearance certificate issued by the ATO. This certificate confirms the seller of the property is an Australian resident and therefore FRCGW does not apply to the transaction.

By increasing the withholding rate from 12.5% to 15%, a greater proportion of the purchase price will be paid to the ATO instead of to the foreign resident vendor. The measure is estimated to increase Government's receipts by \$150.5 million and increase payments by \$5.9 million over the five years from 2022-23.

The other change is one that will impact more Australian residents dealing in property transactions, as it reduces the withholding threshold from \$750,000 to \$0. This will mean that **all** sales of Australian real property by Australian resident vendors will require ATO clearance certificates to be completed, regardless of the market value of the property.

Should the above changes become law, this will be another measure vendors (and their agents/advisers) will need to consider to avoid significant financial consequences.

For more information, contact David Prescott on (08) 9227 7500.

IS IT TIME TO TIDY UP YOUR FINANCIAL AFFAIRS?



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The end of the financial year is the perfect time to tidy up your financial affairs. Aside from the usual last-minute tax and superannuation decisions, let's consider something a bit different. Just like a good clean up and declutter at home can leave you feeling quite satisfied, so too can a tidy up of some of your more basic personal finances: bank account maintenance, sensible credit card use and debt management.

Bank Account Maintenance:

- Ask yourself if you *really* need all those multiple accounts with different banks to unnecessarily complicate your cash management.
- Consider consolidating accounts to simplify your financial affairs and reduce fees.
- Make sure that your bank balance is either earning interest at a competitive rate or is being offset against your home loan.

Disclaimer: The information contained in this article has been provided as general advice only. The contents have been prepared without taking account of your personal objectives, financial situation or needs. Before you make any decision regarding any information, strategies or products mentioned in this article, you should consult your financial adviser to consider whether that is appropriate having regard to your personal objectives, financial situation and needs.

Sensible Credit Card Use:

- Set up an automatic direct debit arrangement with your credit card provider to pay off any outstanding balance monthly before the due date to avoid interest charges.
- Evaluate your credit card rewards to ensure they align with your spending habits and financial goals. If you love travelling then make sure that disciplined servicing of your credit card debt is rewarded with a good frequent flyer points program.

Debt Management:

- Create a plan to pay off high-interest debts first, such as credit card balances.
- Consider debt consolidation or refinancing options to lower interest rates and streamline payments.

By focusing on these areas, you can improve your financial health and set a strong foundation for the new financial year. Regularly reviewing and tidying up your financial affairs can help you stay organised, avoid unnecessary costs, and work towards achieving your long-term financial goals.

For more information, contact Brendan Bate on (08) 9227 7500.

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RISKS IN USING ANNUAL REPORTS FOR TAX LOSS VALIDATION



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There are occasions when a listed company's tax losses are only considered after the sale of an asset or otherwise generating a profit.

In fact, it is critical to determine whether a company's tax losses are available at least every reporting period. Even if the company believes it is not disclosing / 'booking' a deferred tax asset (DTA) relating to tax losses, it will be if it relies on that DTA to offset a deferred tax liability (DTL).

It is also prudent to review their availability prior to each transaction that will rely on utilising tax losses to reduce its tax liability.

The method of review sometimes undertaken is scanning the Top Twenty Shareholders for those having less than a 10% shareholding. If the aggregate of those shareholdings is more than 50%, there must be a *substantial continuity of ownership* (greater than 50%) and the Continuity of Ownership Test (COT) satisfied. Correct? No!

There are concessional provisions that assist a listed company to satisfy COT, but the example above (calculating the *single notional entity* (SNE) at a point in time) is only part of determining the availability of a tax loss.

What is not taken into consideration includes:

- **Which tax loss year?** Each year is reviewed separately.
- **When are they to be reviewed?** At the start of the loss year, each 'corporate change' event, and the end of each income year.
- **Who made the tax loss?** There may be different consequences if incurred by a subsidiary.
- **Further concessions** – A nominee shareholder may be traced through.
- **Integrity provisions** – There may be circumstances where a <10% shareholder is not a SNE. This is due to the shareholder being 'significantly influenced'. Furthermore, the SNE holding can be no greater than its holding at the start of the loss year.

Red flags!

- Shareholders with 10% and above, owning at least 50% of the company in aggregate.
- A 'Substantial Shareholder' owning at least 10% of the company.
- 'Substantial Shareholders' owning at least 50% of the company in aggregate.
- Other: restructures, older tax losses. DOCAs, foreign ownership, companies having different classes of shares.

If in doubt, nothing compares to a comprehensive review of the tax losses of a company. As a note of caution, relying on the same / similar business test is not always possible.

For more information, contact Guy Brandon on (08) 9227 7500.

REMOTE AUDITS: BUILDING CLIENT CONNECTIONS



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I had the privilege of joining the HLB team in July of 2018 and, over my five years in the Corporate Audit Services division, I've witnessed significant changes. From implementing new accounting standards like AASB 9, 15, and 16 to embracing automation software, and even navigating through a global pandemic, it's been quite a journey.

Among these changes, one of the most notable shifts has been the move from conducting audits at clients' offices (pre-pandemic) to working remotely and completing virtual audits (post-pandemic).

Firstly, I'd like to preface that this isn't an article bemoaning remote work or highlighting perceived productivity challenges. Personally, I value HLB Perth's work-from-home policy and the flexibility it provides, which I find contributes to increased productivity.

In my early days as a graduate in audit, I spent most of my week at different client offices, typically returning to the HLB office only on Fridays. Now, we are more likely to work either from the HLB office or from home.

With this shift in our working environment, I've realised the importance of maintaining some level of face-to-face interaction with clients. Whether it's visiting their premises, meeting over coffee, or even conducting a Teams meeting, having a friendly chat or discussion significantly facilitates the audit process.

Not only does direct interaction with clients expedite communication compared to lengthy back-and-forth emails, but it also fosters better understanding. Meeting someone in person puts a face to a name and allows us to obtain an understanding of that person's expressions and mannerisms, which helps with further communications and mitigates potential misunderstandings or tension. For instance, without the context of personal interaction, I might misinterpret an email due to the lack of familiarity with the sender's communication style. Spending time with clients enables me to grasp their tone and better understand their needs.

That's why I always encourage our junior staff to take the initiative and "get on the front foot" by engaging directly with clients, whether through meetings or visits to their offices, as it significantly enhances the audit process.

For more information, contact Alex Frost on (08) 9227 7500.

IMPORTANT DATES

Important Tax Dates

during the period 1 June 2024
to 30 September 2024

Companies and superannuation funds, non-taxable or refund received last year as well as non-taxable or refund in current year, 2023 income tax return due to the ATO where original lodgement due date is 15 May 2024	05/06/24
Individuals, partnerships and trusts non-taxable or refund in current year, 2023 income tax return due to the ATO where original lodgement due date is 15 May 2024 (also applicable if in payable position, provided you lodge and pay by this date)	05/06/24
May monthly BAS & IAS (PAYG Withholding)	21/06/24
Fringe Benefits Tax return due for lodgement and final payment of tax	25/06/24
Superannuation contributions to have been paid and cleared by the bank, in order to claim tax deduction	30/06/24
End-of-year finalisation declarations of payroll tax and superannuation information through Single Touch Payroll (STP) software	14/07/24
June monthly BAS & IAS (PAYG Withholding)	21/07/24
April to June quarterly BAS & IAS due for lodgement	28/07/24
Deadline for making superannuation contributions for June 2024 quarter to avoid incurring penalties	28/07/24
July monthly BAS & IAS (PAYG Withholding)	21/08/24
Taxable Payments Annual Report for the Building & Construction, Cleaning and Courier, Road Freight Services, IT Services and Security, Investigation, Surveillance Services Industries or Government entities due for lodgement	28/08/24
August monthly BAS & IAS (PAYG Withholding)	21/09/24

When a due date falls on a weekend or public holiday, you can lodge and pay on the next business day.

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Important Reporting Dates

for Listed Public Companies during the period
1 June 2024 to 30 September 2024

ASX Quarterly Reports	31/07/24
Half Yearly Reports (Reviewed) (December year end – Industrials)	30/08/24
Preliminary Final Reports (June year end – Industrials)	30/08/24
Half Yearly Reports (December year end – Explorers)	13/09/24
Annual Financial Report – Year ended 30 June (Audited)	30/09/24

