

## Towards Better Business

### ABOUT THIS NEWSLETTER

This newsletter is aimed at providing helpful information for business owners to increase profits, reduce risks and astutely save for retirement. *Empower your business to better your future!*

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- Company officeholders... what you need to know
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### HEADING FOR THE CHRISTMAS/NEW YEAR SEASON – DEDUCTIBILITY OF CLIENT GIFTS

With the Christmas/New Year season upon us, many businesses want to reward their loyal clients, customers, suppliers with a gift. As tax laws are complicated and tricky, let's look at how your business gift giving can be managed so it gains the maximum benefit under the tax rules.

A business is generally entitled to a deduction for expenses if they are made for the specific purpose of helping the business produce income. So as a general principle, gifts to clients, customers, suppliers are tax deductible because of the link with business income.

It would help the business, in defending its gift expenditure, to develop a policy that defines which clients, customers, suppliers are eligible for a gift and apply that policy consistently.

Using a contrary example to the above, and where the general deductibility principle won't apply, would be the situation a business owner gifts a bottle of champagne to her sister. The sister is not employed by the business nor

have any other involvement with the business. In that instance, the ATO considers the gift is provided for personal reasons. That then makes the expenditure private or domestic in nature and therefore, not tax deductible.

There are couple of other circumstances that won't be tax deductible:

- where the gift is for an item that is of a capital nature (for example, an item that otherwise would be considered equipment of the business, such as an iPad); and
- where the gift constitutes "entertainment". Tax law does not allow a deduction for entertainment expenditure.

Entertainment includes food, drink or recreation (such as, tickets to attend a movie, sporting event, theatre, amusement centre, holiday airline tickets, etc). There are some gifts that are not considered entertainment.

### **Gifts that are not entertainment**

These generally include, for example, a Christmas hamper, a bottle of whisky or wine, gift vouchers, a bottle of perfume, flowers, a pen set, etc. when they are provided to clients, customers, suppliers or staff members.

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**COMPANY OFFICEHOLDERS -  
WHAT YOU NEED TO KNOW**

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ASIC maintains information about companies that the public can search such as, who runs the company, who owns the company and whether the company has any ASIC breaches. That information is typically accessed by financiers, trade creditors and the like and helps them understand who they are dealing with and assists their decision making whether they want to do business with the company or not. In fact, almost 90 million searches of ASIC data were completed in the past financial year for these purposes. In other words, the information maintained by ASIC provides a data base that can be accessed by the public to help them develop a level of confidence they can have with the company.

In this context, it makes sense to ensure your company's obligations are up to date and officeholder dealings are in accordance with company law. Not only will this avoid penalties, it will more importantly strengthen the

confidence of the business environment for your company.

If corporations law breaches and outstanding ASIC debts are among the types of information available through a company search, understandably, that information will adversely impact its ability to operate effectively when establishing trade accounts or worse, it could prevent the company from raising loan or equity funding.

The following paragraphs outline some areas companies and their officeholders can control to maintain a good ASIC record and consequently, create a positive impression to any outsiders conducting a search.

#### ***Company changes***

Where any relevant company details change, ASIC must be informed within 28 days of that change, otherwise late fees will apply. Examples of some of these changes include:

- change in address
- officeholder changing their address or name
- change in a shareholder's address or shareholding
- changes in the company's share structure.

It's not uncommon for ASIC to send very important notices to a company or its officeholders that are never received because address records were not updated with ASIC.

Most changes can be made online or by us if we are the company's ASIC agent.

#### ***Annual review fees***

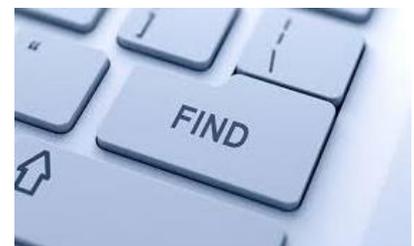
Every company has an annual review date, usually on the anniversary of its establishment. Every year, ASIC sends an invoice to the company containing a review fee. The company must pay this fee by the due date. Failure to do so on time will result in a late payment penalty, and continuous failure to pay will result in escalating penalties and eventually, ASIC will de-register the company. Many companies have been caught where a search revealed the company was de-registered, particularly because ASIC was not updated with address changes!

#### ***Company records***

All companies must keep proper records and have financial statements prepared (and audited where necessary). These financial statements also form an important role in the company's compliance with tax laws.

In summary, by keeping on top of your company's responsibilities with ASIC, it will help minimise severe consequences later.

Contact us if you need advice about financial records or for us to act as your company's ASIC agent.



**SANTA'S LIST - 10 BOOKS  
EVERY SMALL BUSINESS  
OWNER SHOULD READ**

Other than time, have you been wondering what fabulous gifts you can give yourself or a fellow small business owner?

Here is a list of 10 inspiring business books that will provide you, or a business owner on your gift list, with advice, insight, tips and resources for a boost to business success.

**1. Good to Great: Why Some Companies Make the Leap and Others Don't** - by Jim Collins

Can good companies, mediocre companies, or even bad companies achieve enduring greatness? That is the question Jim Collins answers in this book.

**2. Drive: The Surprising Truth About What Motivates Us** - by Daniel H. Pink

Author Daniel Pink asserts that the secret to high performance and satisfaction -- at work, at school, and at home -- rests with the human need to direct our own lives, to learn and create new things, and to do better by ourselves and our world.

**3. Think and Grow Rich** - by Napoleon Hill

As one of the best-selling self-help books of all time, first written in 1937, Napoleon Hill continues to challenge readers to improve their lives -- and their businesses --

through positive thinking. It's a "success" classic.

**4. The E-Myth Revisited** - by Michael Gerber

Michael Gerber dispels the myths surrounding starting your own business by walking you through the steps in the life of a business. This book will help you grow your business in a predictable and productive way.



**5. The Tipping Point** - by Malcolm Gladwell

Malcolm Gladwell explores tipping points -- the exact moment an idea, trend, or social behaviour crosses a threshold, tips, and spreads like wildfire -- and how they can change the way business owners should think about selling products.

**6. The 7 Habits of Highly Effective People** - by Stephen R. Covey

If you are exploring personal change and are interested in a holistic approach to solving personal and professional problems, this book should make it on your list.

**7. How to Win Friends & Influence People** - by Dale Carnegie

Good relationships are the foundation of a successful business, and that's what makes this book a great read for small business owners. You'll learn techniques for enhancing both professional and personal relationships while increasing your self-esteem.

**8. Delivering Happiness: A Path to Profits, Passion, and Purpose** - by Tony Hsieh

Zappos CEO Tony Hsieh shares the different lessons he has learned in business and life, from starting a worm farm to running a pizza business, through LinkExchange, Zappos, and more.

**9. Steve Jobs** - by Walter Isaacson

This book is based on more than forty interviews conducted with legendary entrepreneur Steve Jobs over two years - as well as interviews with more than a hundred family members, friends, adversaries, competitors, and colleagues. There are lessons to be learned on every page.

**10. Getting Things Done: The Art of Stress-Free Productivity** - by David Allen

Small business owners know better than anyone how hard it can be to find and maintain high levels of productivity. In this book, David Allen shares the secret to increasing productivity: being able to relax. And he outlines a system that will help you achieve it.

**ATO WARNS HIGH  
DEDUCTIONS ARE NOW  
EASIER TO DETECT**

The ATO's ability to identify and investigate expense claims that differ from the "norm" is improving each year at a rapid rate due to enhancements in technology and the use of data. These enhancements mean that every return is scrutinised and it is becoming a lot easier to identify claims that are significantly higher than other taxpayer's in similar occupations or businesses.



It's important for people to carefully review deductions before lodging their tax return. With respect to work-related expenses for employees, there are key points to note:

- the expenses must be related to your work
- you have not already been reimbursed for the expenses by your employer
- you have evidence to support your expenses
- keep your records organised and when needed, in a place that they can be easily retrieved. If records are kept on a computer, back up your data.

When claiming work-related travel, it's important to remember you cannot claim for a normal trip between home and work (there are some exceptions to this rule).

**Case studies**

In a recent case, a railway guard claimed work-related car expenses for travel between his home and workplace. He indicated that this expense related to the carriage of bulky tools – including a flag, safety vest, handheld radio, torch, instructions and timetables. During the ATO's investigations the employer advised that the equipment could be securely stored on their premises. The taxpayer's car expense claims were disallowed because the transportation of the equipment between home and work was his personal choice.

Flashy lifestyles of Australians who report modest incomes to the tax man are being dissected on social media by the ATO. Facebook and Instagram posts flaunting overseas holidays, private schooling and business-class flights are being used by the ATO to nab tax cheats as part of a crackdown on dodgy returns that understate income.

The ATO aims to recoup billions in taxes due to undeclared income, with the social media evidence that complements intelligence obtained through their data matching program.

***If you think you are safe, here is why you should consider Audit Shield insurance...***

Despite the ATO has been finding dodgy taxpayers, we have witnessed honest taxpayer's suffering the inconvenience and cost of an unwarranted tax audit. Consider this, the ATO is flawed by targeting expenses that are above the "norm". First, the "norm" is an average of those lower than the norm and those higher than the norm. Just because you have expenses above the "norm" it doesn't mean you are abnormal and warrant investigation. Second, tax law governing deductibility of expenditure is not bound by "how much" is spent. Yet the ATO's framework for detecting whether you qualify for an audit is based on levels, not type, of expenditure. When this happens, you will want us to help to defend and protect your position. This can be an expensive exercise.

To help this situation, we have offered clients Audit Shield insurance. The policy covers our fees (including legal costs where necessary) while we assist you. If you did not receive an Audit Shield invitation, contact our office.



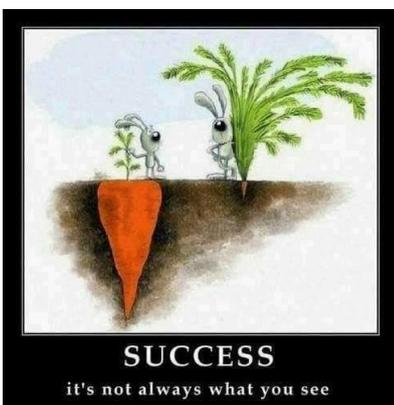
## LEGISLATION & OTHER CHANGES

### SUPER BILLS PASSED

The following outlines most of the recent changes to superannuation that are now law:

- Reduction in the non-concessional cap to \$100,000 p.a from 1 July 2017 (bring forward reduced to \$300,000 for those eligible)
- Introduction of the \$1.6 million pension cap from 1 July 2017
- Reduction of concessional contributions to \$25,000 for all members eligible to contribute from 1 July 2017
- Removal of the tax exemption applied to Transition to Retirement Income Streams from 1 July 2017
- Lowering of the income tax threshold from \$300,000 to \$250,000 from 1 July 2017.

## THOUGHTS



## TAX TIMELINE

**21 December 2016:** Lodge and pay November 2016 monthly activity statement.

**28 January 2017:** Payment of super guarantee contributions for the Oct to Dec 2016 quarter.

**21 February 2017:** Lodge and pay December 2016 monthly business activity statement for small business clients (extra month concession for "small business" only)

**21 February 2017:** Lodge and pay January 2017 monthly activity statement.

**28 February 2017:** Lodge and pay Self-Managed Superannuation Fund tax return for new SMSFs.

**28 February 2017:** Lodge and pay quarterly Business Activity Statement (BAS) for September to December 2016 quarter.

**21 March 2017:** Lodge and pay February 2017 monthly activity statement.

**31 March 2017:** Lodge tax return for individuals whose latest return resulted in a tax liability of \$20,000 or more.

## LIFE'S TOO SERIOUS



## HOLIDAY SEASON OFFICE HOURS

### Seasons Wishes

As another calendar year is coming to its end, we would like to thank all our clients for your support during the year and to wish you all a Merry Christmas and a Happy New Year!

Apart from the public holidays, our office will be closed between 2 January 2017 and 6 January 2017. Usual office hours will apply all other times.



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