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The financial news your business needs.

Spring 2011

# BUSINESS Bulletin

## Christmas Money Savers

With the festive season now upon us, thoughts inevitably turn to end of year Christmas celebrations.

While hosting an enjoyable Christmas function is an employer's primary aim, minimising Fringe Benefits Tax (FBT) is also important.

For taxable employers who use the "Actual method" for valuing meal entertainment (whereby you calculate FBT according to the actual value of benefits provided to employees and their associates), the FBT consequences of a Christmas party depend principally on three factors:

1. The location of the party – onsite or offsite?
2. Who attended the party – employees, associates or clients?
3. The cost of the party – was it above or below \$300 per head?

The following table sets out the FBT, GST and income tax consequences of Christmas parties:

Event/Attendance	FBT?	Deduction?	Claim GST
Party on premises - Employee	No – Regardless	No	No
Party on premises - Spouse/associates	Only if Benefit exceeds \$300	Only if Benefit exceeds \$300	Only if Benefit exceeds \$300
Party off premises - Employee/Spouse	Only if Benefit exceeds \$300	Only if Benefit exceeds \$300	Only if Benefit exceeds \$300
Benefits provided to clients	No	No	No

### Reminder Dates

**October 21**  
Due date for September  
monthly Activity Statements

**October 28**  
Due date for Superannuation  
Guarantee contributions

**October 28**  
Due date for Quarter 1  
Activity Statements  
(if lodging by paper)

**October 31**  
Due date for Individual  
Income Tax Returns (if not  
using a tax agent)

**November 21**  
Due date for October monthly  
Activity Statements

## Take Home Messages

Whilst hosting an enjoyable Christmas function is an employer's main priority, from a tax standpoint bear in mind the following:



### Venue

By holding your party onsite, employers using the Actual method will pay no FBT for the per head employee cost regardless. To take advantage of this exemption, the party must be held on a working day.

### Cost

If you use the Actual method, be mindful of the \$300 per head minor benefits threshold (GST-inclusive). This threshold applies to both employees and associates (e.g. spouse) with each receiving their own \$300 limit. Where the per head cost exceeds this amount, the whole of the benefit will be subject to FBT.

### Gifts

If you provide a gift at the function, this has its own \$300 minor benefit threshold (i.e. it is not added into the per head meal entertainment cost).

### Clients

Employers using the Actual method may see fit to invite important clients along. By doing so, there is no extra FBT cost – as FBT is confined to employees and associates.

### Alternatives

Instead of a gift or party, you can avoid FBT altogether by providing a cash bonus to your employees. Some employers prefer this option as not only is the bonus more personal, but from a tax perspective no FBT is payable, and the employer can claim the amount as a tax deduction. The only tax downside is for the employee in the sense that they must declare the amount as income.



### Business Cash Flow Tips

- 1 Be sure to send invoices immediately when the job is completed, not at the month's end.
- 2 Encourage prompt payment by providing modest discounts for early payers.
- 3 Don't starve yourself of cash, charge deposits for significant orders.
- 4 Don't hold excess stock (just hold enough to meet customer demand).
- 5 Cover yourself - take out debtor insurance! This is particularly important if your business relies heavily on a few key clients.

## What's The Taxman Thinking? - Small Business Help

Struggling to pay your ATO liabilities?

The Tax Office has recently announced new help for small businesses that are not able to meet their tax payment obligations because of short-term financial difficulties. This help will take the form of:

- Flexible payment arrangements designed to align with cash flow and
- Remission of General Interest Charge (GIC) where appropriate.

The GIC concession allows eligible small businesses to not pay GIC on any Activity Statement debts for a maximum of 12 months commencing from the day on which they entered into the payment arrangement.

If your business is experiencing short-term financial difficulties, it may be eligible for this relief. For more information contact the Tax Office on 132 866.



## What Do Employees Want?

With unemployment at just 5%, retaining and recruiting good staff is increasingly difficult. So... what do employees want?

**Motivation** - provide a variety of work that is interesting and challenging.

**A Career path** – offer training, development and opportunities for promotion/increased responsibilities.

**Feedback** – staff feedback is invaluable and should be encouraged. Generally feedback should take two forms:

(a) Informal – e.g. stopping by a manager's office throughout the year or sending them an email asking for a brief appraisal.

(b) Formal – during staff reviews, typically held on an annual basis.

**Flexible work arrangements** – this may involve flexible start/finish times (provided the required number of hours are worked) or the ability for trusted staff members to work from home one or two days per week.

**Remuneration** - appropriate monetary reward for the role being performed. Always be aware of industry averages (you can bet your employees will be) and ensure that where possible the remuneration offered by your firm is competitive.

## Business Tip Streamline Your Super

Finding it time-consuming managing your employee superannuation obligations? ...there is a better way!

Instead of paying superannuation contributions into the fund nominated by each employee (which can be quite time-consuming particularly where, as is often the case, employees in the same company nominate different funds from one another) use the Government's Small Business Superannuation Clearing House instead!

Introduced on 1 July 2010, the Clearing House streamlines your employee superannuation obligations by allowing you to pay all Superannuation Guarantee contributions to a single location – Medicare Australia. Having made these payments, your obligations are complete. Medicare Australia is then responsible for distributing the amounts to each of your employees' nominated superannuation funds. Put simply, the Clearing House facility takes the hassle out of super.

Having been operational for more than one year now, 98% of surveyed employers using the Clearing House are satisfied with the service. To register for this free service, visit the Medicare Australia website.

[www.medicareaustralia.gov.au/super/](http://www.medicareaustralia.gov.au/super/)