



KALLINICOS & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Guiding your business in the right direction

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FBT: Christmas Parties & Entertainment

With the festive season looming, many clients will be getting ready for their annual Christmas party, and possibly thinking about what types of gifts to buy employees (including their families), clients, suppliers, etc.

Clients should be aware that this year the FBT minor benefit exemption limit has increased from 1 April 2007 so that benefits that cost up to \$299 are an exempt minor benefit. (Benefits that cost \$300 and over are not exempt)

Clients should also be aware that the Tax Office has taken a new, more flexible approach to how the exemption is applied.

Basically, the ATO has decided that different benefits do not have to be added together when applying the \$300 threshold.

Therefore, both a Christmas party and a gift to employees, etc., may be exempt from FBT, even though they were provided at the same time, as long as each costs less than \$300.

Example

An employer holds an external Christmas party for employees only. The cost of food and drink per person is \$260.

Employees with spouses are given a gift voucher (for their spouse), to the value of \$150.

Assuming the "actual method" of calculating FBT on entertainment is used:

- q** for employees with a spouse – FBT is not payable because each separate benefit is less than \$300 (i.e., the benefits are not aggregated); and
- q** for employees without a spouse – no FBT is payable (i.e., cost of food and drink only is less than \$300).

Also, no deduction is allowed for the entertainment but the voucher is deductible.

Before you decide to commit to any expenditure this year you might want to call our office and discuss the fringe benefits and income tax consequences.

Just remember, just because it is not subject to fringe benefits tax, doesn't mean you can claim it as a tax deduction!

Tax Planning – START NOW!!

You might think that the end of financial year is still many months away, but with Christmas fast approaching, it will be here before you know it.

Therefore, we want to ensure that all our clients realise the benefit of tax planning at least 6 months in advance. This gives you plenty of time to determine which course of action you wish to take to ensure for your future retirement and which investments will provide for this.

Business Reporting to be slashed

The former Treasurer announced a new initiative, called the Standard Business Reporting (SBR) program, which should help to cut the red tape confronting business when reporting to government.

When SBR financial reporting is fully implemented, businesses will be able to use their accounting/record keeping software to automatically pre-fill government reports.

Businesses and their tax agents will also be able to use a single, secure log on to send financial reports to the Australian Bureau of Statistics; APRA; ASIC; the ATO; and (potentially) State Revenue Offices.

ATO ramps up debt collection

A panel of external collection agencies has been appointed by the ATO to assist with the collection of debt, including tax debts over two years old and employer superannuation guarantee charge debt.

Four agencies have been selected:

- q** Dun & Bradstreet;
- q** Baycorp Collection Services Pty Ltd;

- q National Credit Management Limited;
and
- q Recoveries Corporation Group Limited.

They will also need to meet all Commonwealth secrecy and privacy requirements.

Problems with car fringe benefit records

The Tax Office has warned that some employers are using inaccurate methods in dealing with the FBT obligations resulting from providing car benefits to their employees.

Three of the areas that employers are getting wrong are:

- q logbooks do not provide enough information about the car's use;
- q where a car is garaged at an employee's residence and the employer is claiming substantial business use for the car using the operating cost method, but there is no record in the logbooks of business travel being made; and
- q employee contributions are incorrectly treated for income tax and GST purposes.

Log book method

An employer using the operating-cost method to calculate the taxable value of a car fringe benefit needs to include the following details for each business journey:

- q the date on which the journey began and on which it ended;
- q the odometer readings at the start and end of each journey; and
- q the kilometres travelled and the purpose of the journey.

Entries made under the category of 'purpose of the journey' must be in English and detailed enough to show why a journey was for business – simply describing a journey as 'business' or 'miscellaneous business' is not enough.

Car users should also be aware of FBT obligations that may arise under the 'home garaging rule'.

In particular, a car garaged at an employee's home is, in most instances, considered to be available for private use.

ATO still chasing the cash economy

In a recent speech about the ATO's compliance program, the Commissioner of Taxation has indicated that the Tax Office will continue to tackle the 'cash economy' in the upcoming year.

The Tax Office plans will involve:

- q Lifestyle of people compared to their declared income
- q Retail high volume-low cash transactions
- q Non-reporting of income by industry
- q Benchmarks of industries and comparison of cash in these industries

December Business Activity Statement due 28 February 2008

Because of the Christmas-New Year break, many businesses will be closed to at least early/mid January 2008.

Please send all information necessary to us by 16th January 2008.

It is imperative that you do not delay in preparing your records!

Merry Christmas from Kallinicos & Associates

At this time we would like to wish you all a very Merry Christmas and a Happy, Prosperous New Year.

We look forward to a new year with you in 2008.

Best wishes,

Emanuel Kallinicos, John Stavrou and all the staff at Kallinicos & Associates



Please note that our office will be closed from 12.00pm Friday, 21st December 2007 and will reopen on Monday, 7th January 2008