



KALLINICOS & ASSOCIATES

CERTIFIED PRACTISING ACCOUNTANTS

Guiding your business in the right direction

Volume 39 – DECEMBER 2009 UPDATE

64 Annerley Rd, Woolloongabba QLD 4102
PO Box 1604, Coorparoo QLD 4151

Telephone: (07) 3391 1202
Facsimile: (07) 3391 4553

Reminder with Insurances

As we mentioned in our previous newsletter, we have recognised that many do not have adequate insurance coverage for both themselves personally and for their business.

There could be some serious consequences from a cash flow point of view if serious consideration of these have not been taken into account.

Kallinicos & Associates is proud to announce an association with an insurance consultant who will assist with all manners of personal and business insurance.

Their personal service, in conjunction with their ability to review your needs to a specific cost could be of great benefit to you.

Please contact either Emanuel or John of our office to discuss how we can help you through this.

Christmas/year end parties and gifts

When holding Christmas parties, employers are generally liable to pay fringe benefits tax (FBT) on the cost of food and drink (meal entertainment) which is provided to employees and their families*.

Note (): FBT does not apply to meal entertainment provided to clients and suppliers.*

However, if the employer calculates its FBT on the 'actual' basis (i.e., rather than the 50/50 formula method), then it may be able to **completely eliminate** this FBT liability using the 'minor benefits exemption'.

Generally speaking, if the value of the Christmas party provided to an employee or family member is less than \$300 per head, it may be exempt from FBT as a 'minor benefit'. This can also apply to gifts made to employees and family members.

Surprisingly, for the purposes of the \$300 minor benefit threshold, the following tips should be considered:

q where a benefit is provided to both an employee and their family member (e.g., a

spouse), the benefits are applied **separately** to the \$300 threshold; and

q where a gift is associated with a Christmas party (e.g., it is provided at the party), each benefit (i.e., the gift and the party) is applied separately to the \$300 threshold.

However, note that no deduction can be claimed for **entertainment** benefits provided to employees, where the minor benefit exemption applies.

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 is adopted:

- u for all employees attending the party – FBT is not payable on the food and drink because each separate benefit is less than \$300 (i.e., the benefits are not aggregated); and
- u for employees with a spouse – no FBT is payable on the voucher.

As a result, no deduction is allowed for the entertainment, however, the voucher *is* deductible*.

Note(): No deduction is allowed for any GST input tax credit that can be claimed.*

Christmas gifts

Clients often ask what are they allowed to give away as Christmas gifts. Well briefly . . .

The following types of gifts are **not** considered to be entertainment and are therefore deductible:

- q a Christmas hamper, a bottle of whisky, wine, etc.; and
- q gift vouchers, a bottle of perfume, flowers, a pen set, etc.

Examples of **entertainment** gifts include tickets for sporting events or the movies, and holidays.

Briefly, the general FBT and income tax consequences for **non-entertainment** gifts are as follows:

- u gifts to employees and family members – FBT is payable (except where minor benefit

exemption applies) and a tax deduction is allowed.

- u gifts to clients, suppliers, etc. – no FBT, and a tax deduction is allowed.

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

Tax Office warns about identity theft

The Commissioner of Taxation has advised that identity theft is a particular problem that can take years to put right.

For this reason, tax file numbers (or TFNs) must be kept safe.

Only certain people can ask for a taxpayer's TFN, including the Tax Office, Centrelink, their super fund, bank or financial institution, and their employer (once they have started working for them).

The warning from the Tax Office is that if anyone asked for their TFN through an email, phone call or suspicious door knocker, they should not offer any information and should call the Tax Office on 13 28 61.

While the Tax Office does send emails or SMSs promoting new services or alerting to due dates, it will **never** send an email requesting a taxpayer confirm, update or disclose confidential details such as their name, date of birth, address, passwords or credit card and bank account details.

If the Tax Office needs to know this information, it will mail a letter to the taxpayer's postal address.

More Tax Office audits with New Small Business Benchmarks

The Tax Office has released a whole host of "Small business benchmarks" in October – 38 in all. The ATO says they provide a snapshot of what, on average, is happening in businesses operating in a particular industry by comparing various business costs to sales.

For example, depending on the size of the business, they compare costs, such as labour, cost of goods sold and rent, to sales.

Where a business's costs as a percentage of sales fall outside the benchmarks, it may find itself looking down the barrel a tax audit.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

Selected Industries

There were 38 benchmarks issued for businesses operating in the following industries:

- u Manufacturing;
- u Construction;
- u Retail trade;
- u Accommodation and food services;
- u Transport, postal and warehousing;
- u Rental, hiring and real estate services;
- u Administrative and support services (such as pest control); and
- u Other services (such as barbers, hairdressers and nail salons).

Any client wishing to know if benchmarks have been issued for their type of business should contact our office.

December Business Activity Statement due 28 February 2010

Because of the Christmas-New Year break, many businesses will be closed to at least early/mid January 2010.

Please send all information necessary to us by 19th January 2010. 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 2010.

Best wishes,

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



Please note that our office will be closed from 12.00pm Wednesday, 23rd December 2009 and will reopen on Monday, 11th January 2010