



Chapell & Associates

Merry Christmas

MONEY MATTERS



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Reminder of Up and Coming Due Dates

- December Monthly BAS is due to be lodged with the ATO by **21 February 2019**, and December Quarterly BAS is due to be lodged with the ATO by **28 February 2019** (extension given due to Christmas)
- All Superannuation for the October–December Quarter must be paid by **28 January 2019**
- 2018 income tax returns where they have not already been lodged must be lodged by **15 May 2019**

Its Your Business, You Should Know It!



We thought that it was well overdue for us to remind business owners of the things that they know they *should* be looking at or considering, but when under constant pressure sometimes just don't get a chance to do it.

1. Cashflow - You should have a monthly forecast of your operations to a cashflow level, so that you can predict cash shortfalls before they happen. Cash shortfalls can be caused by taking on new work, a large job with different payment terms, overstocking or owners needing funds from the business. A business can be making a profit and still be crippled by poor cashflow. Forecasting this makes sure there are no surprises.

2. Debtor collection - the importance of your debt collection staff to develop a relationship with customers to ensure cash collection is critical. Also knowing when to say No. For example: No product without payment; No more work without payment. These are the serious tools we need to give our debtor collection staff. There is no point doing work that you are not being paid for.

3. Borrowing money - Are you looking at applying for a loan from a bank for expansion or large lease for equipment? Be aware that no financier will provide lending at the moment if you are in default with the ATO, including any BAS or superannuation debt; in particular superannuation debt. Please keep a close eye on these liabilities in your company. If you are behind in these it is a gauge to bigger financial problems.

4. Cost of new work - We all love getting new jobs and new clients, but we need to understand our cash position. A new client is great, but we generally have to pay for the labour and materials and increased overheads relating to new work well before we receive payment for the job. Negotiating payment terms or making sure finance is available can make the whole expansion process easier.

5. Gross margins - Please, please, please focus your cost cutting energy on improving the gross profit you make from your sales. This is the machine of your business and the better and more efficient we can make it, the more gross profit you make from every sale. It is easy to focus on cutting overheads (and we are not suggesting to ignore overheads that seem excessive,) it is harder to improve margins, but the reward for improving gross margin is 100 fold compared to reducing overheads.

6. Balance Sheet - Review your balance sheet each month. It has the big ticket items of cash and receivables versus payable and debt. Often we focus so much on the profit and loss statement ("P&L") that we forget to see the position we are in. As an example, look at the current balance sheet compared to the same time last year. See what has really happened or changed.

7. Insolvency - Sometimes we get ourselves into such a financial problem there just does not seem to be any answer. We experience this with clients and also understand the personal toll that such stressful positions take. If your company is in significant financial stress, lets talk about insolvency options. There may just be some opportunity to deal with the debt and move forward in an easier way. If you are long overdue on creditors and have ATO and superannuation debts, then you are in this position. Again lets talk, we may know some people who can help. More importantly ignoring it, never helps.

To Quote Molly Meldrum – “do yourself a favour” - Have a look at these 7 areas!

Non-business owners - these items all relate to you as well, just on a personal level with regards to wages and expenses, assets and debts. We are happy to discuss these with you if or when you need or, at least when we prepare your tax returns.

**Don't Leave
Your Tax
Returns Until
The Last
Minute**



Frequently Asked Questions



We thought it would be helpful if we collated some of the most frequently asked questions that we get and provide the answers below. Of course at any time, please do not hesitate to contact any one of our friendly accountants.

1. Where has my taxable income gone?

This is a tricky one.

As an individual tax payer, you need to review your daily, weekly, monthly and yearly expenses. What do you do with your money – pay off debt, pay day to day living expenses, house expenses, car expenses, education, child care, the cost of kids, entertainment? Remember cash is king and it is important to regularly review your outgoings against your incomings to ensure you are not going backwards.

For business owners, while the above applies, your income may also be tied up in debtors, inventory, assets such as plant & equipment and motor vehicles, and what cash / drawings you take from the business. We would be happy to help your review your position to work out where your money has gone.

2. What does a tax deduction get me cash wise, eg spend \$1,200 why don't I get \$1,200 refund?

One of the most common misconceptions in relation to how tax deductions work in Australia. A tax deduction reduces your taxable income and does not equate to the same amount back in a tax refund. The tax refund you receive is based on your tax bracket of your taxable income (income less deductions) compared to the tax you have paid during the year. For example, if you are in the 32.5% tax bracket, your \$1,200 deduction will provide a tax benefit of \$414. This \$414 will either be added to your refund or reduce any tax you have to pay.

3. I'm a FIFO worker can I claim my airport parking fees or taxi fares to the airport?

No, but if you get your employer to salary sacrifice package these expenses, you get them paid out before tax; essentially saving you.

4. I have a HECS-HELP debt, when do I have to start repaying?

Once you earn over \$51,957 (for 2019 financial year ("FY")), 2% of your taxable income will be taken as a repayment towards you HECS-HELP debt. The threshold increases to 4% when your income is over \$57,729, progressively increasing to 8% when you taxable income is over \$107,214. Please ensure your employer knows you have a HECS-HELP debt so that they can take out the relevant extra tax.

5. If I make a voluntary repayment towards my HECS-HELP debt do I get a discount?

Unfortunately no, the ATO removed this, and any voluntary repayments made do not reduce your compulsory payments.

6. What happens to my HECS-HELP debt if I move overseas?

If you move overseas you can no longer escape making repayments on your HECS-HELP debt. You have to advise the ATO of any foreign income you earn and a HECS-HELP repayment amount is calculated on your foreign earned income.

7. What is STP?

STP stands for Single Touch Payroll, where if you have more than 20 employees you need to send an electronic report to the ATO every time you pay an employee (process a payroll run). Please refer to our June 2018 and December 2017 newsletter for more information.

8. Is child care deductible?

Unfortunately no. However as per our June 2018 newsletter you may be entitled to Child Care Subsidy from Centrelink. So our best suggestion is to have your tax return prepared in a timely manner and register with Centrelink. We would hate if you were missing out on this assistance.

9. If I drive or fly to my rental property for inspections or repairs, is this deductible?

It used to be. All travel expenses relating to rental properties ceased to be deductible from 1 July 2017 (being the 2018 FY.)

10. I have contractors, do I have to pay superannuation?

If you pay someone under a contract that is wholly or principally for their labour, and you pay them for the hours they worked rather than to achieve a result, yes you are required to make superannuation contributions (even if they quote an ABN). A good resource to check if you are liable to pay superannuation on behalf of a contractor is the ATO's Employee/Contractor Decision Tool.

11. I owe the ATO, how do I pay it off?

If you are struggling to pay your ATO debt, you can usually arrange to enter into a payment plan with the ATO. Preferably over a period of no more than 12 months. However, remember that interest will be charged on the debt and your will need to keep future tax obligations up to date.

12. Can I claim superannuation?

From 1 July 2017, you can make payments from your after tax income to your superannuation fund and claim a tax deduction. However, in order to claim you will need to submit a valid notice of intent form to your superannuation fund, stating that you wish to claim a tax deduction for your personal superannuation contributions. But remember your superannuation contributions paid by your employer plus your personal superannuation contributions *must not exceed \$25,000*.

Tax Rates for the current 2018/19 financial year

Tax Rates	2018/19 FY
0%	\$0—\$18,200
19%	\$18,201—\$37,000
32.50%	\$37,001—\$90,000
37%	\$90,001—\$180,000
45%	\$180,001 +

* Medicare Levy of 2% applies and is additional



Joke of the Day!



"This isn't my sack of toys!
It's receipts for my accountant!"

Frequently Asked Questions Continued

13. My friend claims it, why can't I?

Each person's personal tax position is different, and without knowing their specific circumstances it is hard to say why they can claim a deduction. Sometimes, people make incorrect claims.

To claim a deduction the expense must be directly related to your taxable income. You can be assured that we will seek out all possible deductions for you, however our role is to also ensure that any amounts claimed will pass an ATO audit.

14. I sold some shares do I need to report it?

Yes. You need to report capital gains and losses in your tax return and pay tax on your capital gains. The ATO are focusing more and more on share data and are extending its data matching program. The data can be tracked back to 2014 which can include the price, quantity and the time of individual share trades. Don't forget to declare your share sales!

15. If I decided to buy a second property to live in – is it possible somehow to structure the loan more tax effectively? I.e. have the higher mortgage on the first property.

No, you won't be able to pull out the equity in your current house to negatively gear it if you re-mortgage. The ATO looks at the purpose for which you use the money to determine the deductibility of the interest, not the asset you borrow against. This arrangement and the purpose of the loan is to acquire a second property to live in. In this event, your property which is about to become your investment property will have a small, tax deductible debt whereas the property you are about to move into will have a large, non-deductible debt. Therefore the loan structure from the start is very important.

16. Offset Account / Opportunity / Is it worth it?

An offset account is a bank account linked to your mortgage. The money in your offset account is offset against the balance of your mortgage before the interest is calculated. Offset accounts can be a great way to save money at a rate not matched by saving accounts. Also you save interest instead of earning it, so (on a private loan) you'll save tax too! The account will also allow you to withdraw funds at any time leaving the tax benefits intact.

17. Coffee – Buying / Coffee Meetings – are these deductible?

If you are meeting a client in a café or restaurant, it's unfortunately not that simple to claim the bill as a deduction even though coffee and lunch seems like a genuine business deduction. The ATO considers any meal or drink consumed at a café to take on a character of entertainment. If it is a light lunch (eg coffee and muffin) then it is deductible, but a more substantial lunch would be not deductible.

18. Is it worth salary packaging my car?

For many people there are potential tax savings that come from salary packaging a car, however it depends entirely on your circumstances. Your salary, the cost and type of car and how much you use your car for work purposes will all factor into the calculation on whether there is a tax benefit to you. If you are considering salary packaging and would like more information tailored to your circumstances, please feel free to contact us.

19. Can I claim insurances?

Yes you can, but it depends on the type of insurance. A tax deduction is allowed on any premium you pay for insurance against loss of income or if in relation to your business or investment. However if the insurance is to insure life (excluding keyman) then this is not tax deductible.

20. What is Keyman / Keyperson insurance I have heard of and is it deductible?

Keyman/ Keyperson insurance is a life insurance policy taken out by the business to insure critically important employees / roles in the business. This assists businesses to survive the blow of losing a key person. Yes Keyman/ Keyperson insurance is tax deductible.

21. Christmas parties – are they deductible?

Generally no, if not held on your business premises, but there are so many things to consider, so it's a good idea if you give us a call to look at your situation. It is more often than not that Christmas parties get caught under FBT ("Fringe Benefits Tax") and then it would be deductible to the extent that the amount was subject to FBT. There is an argument that this is exempt under FBT as it is considered minor and infrequent and under \$300 per employee. Please call us to discuss further.

22. What can I claim for home office?

It depends on whether you are running a business from home or simply using your home to occasionally do some of your paid employment work and also whether you are a home owner or renting. In most cases we use the cents per hour method to avoid capital gains tax consequences for home owners otherwise applying business percentage to electricity, phone and internet is also an option.

23. Can I claim my loan repayments?

Where the loan relates to an investment, yes, but only the interest portion of the repayment, not the full loan repayment amount. You cannot claim any part of a loan repayment on a personal asset. Where a loan is used for mixed purposes, only the portion of interest relating to the investment is deductible.

24. Is all my interest deductible?

No, unfortunately only interest on investment loans is deductible, interest on personal loans is not deductible. You need to be careful when paying down and re-drawing on loans, as it depends on how the money is used as to whether the interest is deductible. For example, the interest on a rental property mortgage would ordinarily be fully deductible, but if the loan was paid down and then redrawn to purchase a personal asset, the loan becomes mixed use and the interest is only partially deductible.

These were just a few frequently asked questions we get from clients, should you have any queries regarding them or anything else, please do not hesitate to contact us! We value all our clients and want to assist anyway we can.

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Our Services

- Preparation of Tax Returns
- Preparation of Financial Statements
- SMSF Tax & Audit
- GST & BAS Lodgement
- Tax & Strategy Planning
- Bookkeeping
- Corporate Secretary Management
- Dashboard Reporting
- Due Diligence Review
- Financial Planning

Sherryl's Pregnant

Please join us in congratulating **Sherryl McCambridge** and her husband, Tim, on the exciting news that they are expecting their first baby. Sherryl is due in April 2019, and is planning on starting maternity leave in mid March 2019. We wish them all the best for the exciting times to come.



This also means we congratulate Nanna Michelle Houwen, who will be celebrating her second grandchild. So watch out Greg, looks like Michelle may be reducing her days down again.

Congratulations Aoife

We would like to congratulate **Aoife Kilroy** and her husband, Ronan, on the birth of their second child, a baby boy, **Oliver Kilroy** on 12 September 2018 (7 lbs 3 oz and 50 cm).

Aoife has decided to take 12 months maternity leave in order to enjoy some sleepless nights and precious moments with baby Oliver. We wish her all the best, and hope big brother CJ is helping out.

BREAKING NEWS!! We have a WEBSITE!!



Now it is with great excitement we can announce that we have a **WEBSITE!!** It is now live and we would love if you were to go visit and spread the word. This has been a long process (10 years in getting the boss on board, and don't you worry, yes Facebook is next.)

Please visit <https://www.gregchapell.com.au>

Meet the team, find out more about us, see the endless services we can assist and provide, or simply go back and have a read of a past newsletter.

If there is something you would like featured in one of our newsletters, or a handy link on our website, then please do not hesitate to contact our office and submit your request.

Staff Event

Our esteemed leader Greg took us out after a yummy lunch watching the Melbourne Cup, and this time to save his sore and aching body, our team event was Croquet.

It was a beautiful day in the sun, with a competition of course. Greg was very happy, as he took the trophy home, this time!



Fee Reminder

A reminder to our clients that per our engagement letter we charge on a time basis. This means that every contact with our firm is recorded against your account. All time spent liaising with you, the ATO, mortgage brokers, car finance people or anyone else on your behalf is also recorded. At regular intervals we consider the account and issue an invoice.

Further, we have had to introduce payment before lodgement (unless covered by a refund) rule due to a number of clients defaulting on their debts.

Please respect that where an error is made by us, no charge is applied to correct the error. If an error is made by the client or the ATO or any other person, which we then have to assist you to correct the error, then charges will apply.

Chapell & Associates is a close knit and friendly team of staff, who all enjoy helping you with your business. We are experienced in all areas of clients advice and all work together to provide you with the best possible outcomes. When you call, if your usual adviser is not available let us know your question and one of our team members may be able to help you. If they can help they will, then update your normal adviser on any discussions you may have had with them. However, if you prefer to wait for a call back, then of course leave a message. Thank you for your business, and we look forward to hearing from you all soon.