



# BWR ACCOUNTANTS & ADVISERS

Newsletter

December 2014

## Ho Ho Ho: Avoid the Christmas tax scrooge

If you're planning your Christmas budget for your team and your clients there are a couple of things you need to know to keep the Christmas tax scrooge from ruining your Christmas celebrations. We take a look at what you can and can't deduct and what is and isn't likely to incur Fringe Benefits Tax (FBT).

### Your team

The big issue with Christmas celebrations for your team is FBT. FBT applies to non-cash benefits provided by employers to their employees. This generally includes expenses for entertainment that you provide to your team (and their family).

If you provide the Christmas celebrations at your work on a working day, then they are likely to be exempt from FBT. If however family members of your team attend, then FBT may apply if the cost of the celebration is over \$300 per employee. If the cost of the celebration is less than this amount then no FBT applies as it is considered to be a minor benefit and minor benefits are exempt from FBT.

If you hold your celebrations at an external venue, then you need to ensure that the cost of the celebrations is less than \$300 per employee. So, if you invited 10 team members and 10 of their spouses to a Christmas lunch, your expenses might look like this:

Item	Cost per person	Total
Meal	\$60	\$1,200
Beverages	\$40	\$800
Entertainment	\$33	\$660
<b>Total</b>	<b>\$133</b>	<b>\$2,660</b>

For FBT purposes, the cost per employee is \$133 so no FBT applies. If however the cost of the meal was \$180 per person, the beverages \$90 per person and the entertainment \$1,260 then the cost per employee would be \$333 and the Christmas party celebrations would be subject to FBT for both the employee and the spouse

Christmas presents to staff members also need to be kept to less than \$300 per employee person and need to be one-off gifts. They are not included in the calculation of the total cost of the Christmas party but are assessed separately (even if they are given out at the event).

The cost of your Christmas celebrations for team members is not deductible for income tax purposes if FBT does not apply. If FBT applies, then you can claim a tax deduction.

### Entertaining clients at Christmas

Entertaining your clients at Christmas is not tax deductible. So, if you take them out to dinner, to the theatre, or any other form of entertainment, then it's not deductible. However, if your business gives a gift then it is deductible as long as the gift is given in the expectation that the business will benefit. To be deductible the gift needs to be an expense of the business incurred in the course of generating revenue. You need to be able to prove the link between the two.

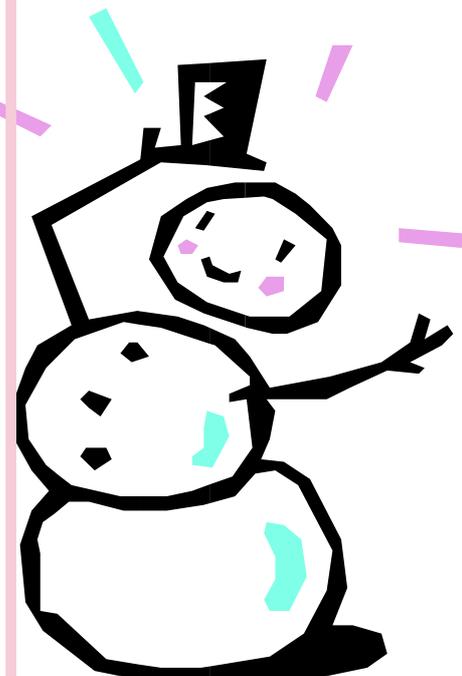
### Donations to charity

It's important to recognise that you can only claim a deduction for donations made to deductible gift recipients (DGRs). If you receive any form of merchandise - biscuits, teddies, balls or you buy something at an auction - then it's not deductible. This is

*The Partners & Staff of BWR Accountants & Advisers wish you and your family a Merry Christmas and a safe and Happy New Year.*

*We would like to take this opportunity to thank you for your patronage throughout the year and look forward to helping you make 2015 a prosperous and successful year.*

*Our offices will close at 5:30pm on Friday 19th December and reopen again at 9:00 am on Monday 5th of January 2015.*





# Security on the Internet — Protecting against the next financial crisis

Cybercrime refers to any crime that involves a computer and a network. The computer may have been used in the crime or it may be the target. Crimes that primarily target computers include viruses, denial of services attacks and malware (malicious code). Crimes that use computer networks include cyberstalking, fraud and identity theft and phishing scams.

Cybercrime costs Australian and New Zealand businesses in excess of \$1.6 billion annually, yet businesses continue to ignore the risks.

**Protecting our cyber future: Be proactive before it's too late.** The increased volume and sophistication of cyber threats means that the only way companies and governments can protect themselves is to be proactive.

Head of Leadership and Advocacy Rob Ward AM FCA says the next significant cyber crime has the potential to impact global markets similar to the GFC.

“Cyber security is now more than just an IT issue. The motivations for cyber attacks are increasingly complex. Hackers are no longer just after credit card details, they are more strategic than ever before, and are tapping into intellectual property and information that can be monetised.

“Cyber security incidents have increased by 48% over the past 12 months and these threats could precipitate the next big financial shock”. “Boards and senior executives need to recognise the considerable threat posed by cyber terrorism. It's not an issue that sits with the IT Department, but is a whole of business responsibility, that ultimately sits with the board. The cost to business and individuals globally is US \$133 billion and in excess of \$1.62 billion for trans-Tasman businesses”.

“Regulators in Australia and New Zealand also need to address the cyber preparedness of their regulated communities – not doing so could potentially leave businesses vulnerable,” he said.

## Malware and Viruses

Malware is short for malicious software and includes such things as viruses, trojans and worms.

A virus is a program or piece of code that is loaded onto your computer without your knowledge and may damage or disrupt your system. Your computer can be infected by a virus through email messages, using the Internet, and downloading software.

### How to prevent malware and viruses

- Do not open any emails from someone you do not know and trust.
- Do not open attachments unless they are expected and the contents are known.
- Install, activate and maintain a firewall on your computer.
- Install and maintain reputable anti-virus and antispyware software.
- Keep your operating system up to date.



## Spam

Spam or electronic 'junk mail' are unsolicited commercial messages sent to a person's email account or mobile phone. Spam messages may contain offensive material, promotions for fraudulent services, solicitations of personal information and bank details. They may also contain malware or may attempt to overload your computer to make it vulnerable to attack or compromise.

### How to prevent spam

- Turn on any junk mail filters supplied by your email account provider.
- Delete spam without opening it.
- You can protect your private email account by creating separate email accounts for use in conducting online transactions.



### **Protecting your personal information**

The personal information and images you post online may be used to create a profile of you with the view of stealing your identity or, in some cases, identifying your physical location.

#### How to protect your personal information

Think about the type of personal information you share online and how that might be used by others. Consider protecting your friends and family also; ask that they do the same for you. You should never share your full name, date of birth, address or phone number with people or sites that you do not know and trust.

### **Phishing**

A phishing email directs recipients to a website that looks like the real website of a retailer or financial institution. The website is designed to encourage the visitor to reveal financial details and 'phish' for information, such as credit card numbers, account names and passwords or other personal information.

#### How to prevent phishing

Do not respond to an email purporting to be from your bank.

Never click on a link in an email, always type the URL into the browser.

When you are on a banking website, look for the padlock icon and "https://" to make sure you are on a secure site.

Report any phishing attempts to your financial institution.

### **Scams**

Scams have existed for centuries, however the Internet allows scammers to reach a much larger audience.

A scam might come in the form of an email, contact from an unknown person through websites such as dating sites, online forums or social networking sites. Scams are usually designed to either steal your money or trick you into revealing personal information. They use techniques to manipulate you and appeal to your good nature, and are constantly evolving. Scams may relate to such things as employment, surveys, investment, lotteries, charities, and pharmaceuticals.

#### How to avoid becoming a victim of a scam

Learning how to detect scams is vital to avoid becoming a victim. Some useful tips include:

Use your common sense before agreeing to anything.

Do not transfer money for or provide credit card/ bank account details to anyone you do not know and trust.

Verify the company or charity before agreeing to any offers.

If it sounds too good to be true, it probably is.

Report suspected scams to SCAMwatch.

Report any loss to your local police and/or financial institution.

### **Fraud and ID Theft**

Scams and phishing may be a means for someone to defraud you and steal your identity. Divulging too much personal information online or via the phone may be another way in which criminals steal your identity.

With a stolen identity, a person may access your bank account, obtain credit cards or loans in your name and potentially ruin your credit rating.

#### How to prevent fraud and ID theft

Put a padlock on your letterbox.

Don't share personal information in an email, online communication or over the phone with people you do not know and trust.

Use strong passwords, with a combination of letters, numbers and symbols, and keep them secret.

Do not access sites that contain your sensitive personal information from public computers.

Report any loss to your financial institution and local police.

### **Remember to Back-Up your data regularly.**

A survey found that 66% of respondents had lost files on their home PC. A regular back-up saves having to re-enter all your data and two copies are better than one. Store one copy on a hard drive and one on a portable device such as a USB flash drive.

For more information about Internet security, see:

[www.scamwatch.gov.au](http://www.scamwatch.gov.au)

[www.protectyourfinancialid.org.au](http://www.protectyourfinancialid.org.au)

[www.fido.gov.au](http://www.fido.gov.au)

[www.spam.acma.gov.au](http://www.spam.acma.gov.au)

[www.staysmartonline.gov.au](http://www.staysmartonline.gov.au)

[www.afp.gov.au](http://www.afp.gov.au)





## Are You An Employer?

### Employer checklist: a step-by-step guide to preparing for SuperStream

SuperStream aims to improve the efficiency of Australia's superannuation system and provides a new standard for employers when making super contributions. It **requires** an employer to send contributions electronically in a standard format with linked data and payments.

#### Benefits

SuperStream is a major change which brings significant benefits for employers and their employees. It will simplify the super contribution experience for employers by reducing cost and effort while eliminating unnecessary variation in how contributions are made. For employees, it will mean better protection of their retirement savings.

#### Start dates

##### Employers with 20 or more employees

SuperStream contributions started from 1 July 2014 so you should already have started preparing. The earlier you begin your implementation, the sooner you will see the benefits and the less chance you will face any compliance issues.

The ATO will provide flexibility for you on your start date, provided you are doing your best to implement and have a firm plan to do so no later than 30 June 2015.

##### Small employers with 19 or fewer employees

The SuperStream standard applies from 1 July 2015. The ATO will provide flexibility for you on your startup date, provided you do your best to commence after this date and have a firm plan to do so no later than 30 June 2016. If you are ready earlier, there is no need to wait and you can start at a time that suits you.

#### Employer checklist

##### Step 1 Assess options

There is no single solution for making SuperStream contributions. You should look for a solution that suits your needs. If you have a payroll system, you should look for updated or new SuperStream compliant products. Speak to your payroll software provider or clearing house about their SuperStream plans.

##### Step 2 Set target start date

For employers with 20 or more employees, you should already have started implementing your plan to commence SuperStream contributions. For small employers with 19 or less employees, you must begin implementing SuperStream from 1 July 2015 and have a firm plan in place by 30 June 2016.

##### Step 3 Collect new information

There is a minimum set of data you need to collect for new and existing employees. You will be familiar with most of the information required, but there is some new information you must now include.

New information required	Fund type
Fund's ABN	All funds
Unique superannuation identifier (USI)	APRA regulated funds only
Bank account details	SMSFs*
Electronic service address	SMSFs*
Employee tax file number (TFN)	All funds

\* Note: service providers and default funds can provide this information on your behalf for APRA regulated fund contributions.

##### Step 4 Update payroll records

Once you've collected the new information, you'll need to update your payroll records. You may need to discuss this with your payroll software provider or if you work with a clearing house you will need to arrange how this information is forwarded to them. You can often send this via an electronic file or enter it directly to a system they provide.

##### Step 5 Upgrade your payroll system

If you use payroll software, your provider will be able to tell you if an upgrade is required.



### **Step 6 Connect to provider**

Depending on the solution you choose, you may need to arrange connections and security log-in credentials

### **Step 7 Undertake trial**

Discuss this with your service provider, Some providers will do this on your behalf.

### **Step 8 First SuperStream contribution**

You should now be ready to make your first SuperStream contribution. Good communication with your service provider is required to ensure this is a success.

## **Using a Super clearing house**

When employees have the ability to choose the super fund they wish to have their compulsory employer super guarantee (SG) contribution paid into it's great for them. They have the autonomy to decide how to grow their super savings and which fund they believe will be best for them.

But for employers, all this choice can be a bit of an administrative headache. They can be left processing super into a range of funds, each with its own systems and requirements.

This is often a time-consuming and complex procedure. For many employers, a superannuation clearing house could provide just the relief needed.

### **How does it work?**

Instead of requiring you to contact and pay each fund separately, a superannuation clearing house does the hard work for you.

A clearing house allows employers to pay all their super contributions in a single online payment. The clearing house then distributes employee super payment to all the funds on your behalf. Basically, you can spend less time administering super and more time on your business.

### **SuperStream requirements**

For those looking for a simple way to meet the federal government's SuperStream requirements, a clearing house should fit the bill.

Employers should be aware by now that SuperStream is the Australian government initiative aiming to improve the efficiency of the superannuation system by introducing a new way for making super contributions electronically. This includes a new standard for the electronic transmission of linked data and payments.

Remember the ATO has advised that if you have 20 or more employees, SuperStream started on 1 July 2014 (and becomes mandatory from 1 July 2015). If you have 19 or fewer employees, SuperStream applies from 1 July 2015 (and becomes mandatory from 1 July 2016).

### **Clearing House**

The Small Business Superannuation Clearing House (SBSCH) is a free online super payment service that helps small businesses (that is, those with 19 or fewer employees) meet their super guarantee obligations. It is administered by the Australian Taxation Office (ATO).

With the SBSCH, an employer makes one secure electronic transaction and then the ATO distributes the super contributions to your employees' nominated super funds.

Each time you make a contribution, your employees' preferences are already included in the transaction details, so you only need to enter the contribution amounts. You can also nominate a regular contribution amount for an employee.

Most industry funds have clearing house services, Prime Super and Australian Super are examples of these. For further information or assistance, please contact our Forbes office on (02) 6852 1855 or our Parkes office on (02) 6862 1444.





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## The new Three R's—Responsibility, Related Party Transactions & Rules

### (for Self Managed Superannuation Funds)

The number of people with self managed super funds (SMSF) has now passed one million. Those one million trustees are part of the largest and fastest growing sector of the Australian super industry.

SMSF's are far from 'do-it-yourself' or 'set and forget'. To be run successfully they require significant time, attention and expertise. Being a trustee of a SMSF involves being responsible and knowing the rules.

#### Responsibility

Rules and Regulations are there to ensure the fund's assets are protected and provide benefits for retirement. The superannuation laws and the trust deed form the fund's governing rules. The trust deed is a legal document that sets out the rules for operating the fund.

Being a trustee means you are responsible for ensuring the rules are followed. Super law requires that your fund's assets be valued at market value. The purchase price and sale price of fund assets should reflect a true market value and the income from assets should reflect a true market rate of return.

The investment strategy for the fund provides the framework for making investment decisions and should reflect the needs and circumstances of the fund and its members. You should review the strategy every twelve months to ensure it continues to meet the investment objectives and retirement goals of all fund members.

#### Related Party Transactions

Trustees should be aware of the prohibition against the acquisition of assets from related parties. A related party includes all members of the fund and their associates. Trustees cannot intentionally acquire an asset from a related party of the fund unless an exception applies to that asset. Exceptions apply to listed securities and business real property. Permitted assets must be acquired at market value and it's important to note that all investments made between an SMSF and a related party must be made and maintained on a strict commercial basis

#### Rules

Rules and regulations are there to ensure the fund's assets are protected and provide benefits for retirement. They are set out in the trust deed, super legislation and regulations. Trustees must act honestly in the interest of all members of the fund at all times and keep the fund's money and assets separate from personal assets.

Trustees must be vigilant in protecting their fund's assets in order to ensure the assets provide retirement benefits for fund members. Assets and money in an SMSF are there to provide for retirement and must be maintained until a member reaches their preservation age or satisfies another condition of release. SMSF's are firmly established as part of the retirement income system. As a trustee, know your responsibilities, be careful with related party transactions and don't push the rules.

#### Please Let Us Know When Paying Your Account

When making your payment to us by direct deposit, please ensure you include your invoice number and/or name to allow us to correctly identify your payment.

In addition to making you payment by direct deposit, we also accept cash, cheque or credit card.