



## CIB ACCOUNTANTS & ADVISERS BUSINESS & TAXATION BULLETIN

keeping you informed **summer 2019**

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### SECURE YOUR TAX DEDUCTION FOR PAYMENTS TO WORKERS

From the 2020 income tax year, an employer must comply with all PAYG withholding obligations or the income tax deduction will be denied.

In order to claim an income tax deduction for payments to workers, the following conditions must be satisfied:

- Withhold the required amount prior to payment to the worker
- Report the PAYG withholding amount to the ATO

If an employer makes a mistake with a PAYG withholding amount, it must be corrected as soon as possible. An employer will not lose a tax deduction if they voluntarily correct a mistake prior to the commencement of any ATO compliance activity.

### GIC & SIC RATES

The ATO has published general interest charge (GIC) and shortfall interest charge (SIC) rates for the second quarter of the 2019-20 income year.

The GIC annual rate for October – December 2019 is 7.98% and the SIC rate is 3.98%.

**CHRIS  
Coulton**  
Partner  
FCA



**GEORGE  
Isaac**  
Partner  
FCA



**BRADLEY  
Ross**  
Partner  
CA



## ELECTRONIC LODGEMENTS OVER CHRISTMAS BREAK

All ATO online portals including Business Portal, ATO Online Services and Small Business Superannuation Clearing House will be unavailable after 6:15pm on Tuesday 24 December due to annual system upgrades. The portals will remain offline until Thursday 2 January 2020. Therefore, if any Activity Statements, Income Tax Returns or other ATO Reporting is required, please ensure it is lodged prior to 24 December.

Organisations may still lodge Single Touch Payroll reports during this period, however the information will not be processed by the ATO until 2 January 2020.

## ACTIVITY STATEMENT FINANCIAL PROCESSING (ASFP)

The ATO is upgrading its accounting system that processes Activity Statement and Franking Deficits Tax Accounts into a single system. The upgrade will improve the visibility of activity statement information and will be active from 2 January 2020.

The new system will also enable direct debit payment plans to be setup automatically via an ATO online portal. Additionally, any Director Penalty Notices for PAYG or Superannuation will be visible on the Directors personal account.

If you need any assistance with ATO online services, please do not hesitate to contact your CIB representative.

## GET YOUR MYGOVID & RAM NOW!

A reminder that the AusKey system is being retired in April 2020. The new identification products are myGovID and RAM which are now up and running, so register under the new system today.

- myGovID – is a secure proof of identity app which is stored on your phone and can be used to access many online government services for both business and personal matters
- RELATIONSHIP AUTHORISATION MANAGER (RAM) – allows you to link a myGovID an Australian Business Number (ABN). It lets you manage who can act on behalf of your organisation online.

The AUSKey system can still be used during the transition period to myGovID and RAM.

## LIMITED DEDUCTIONS ON HOLDING VACANT LAND

From 1 July 2019, the tax law relating to claiming income tax deductions for the holding costs of vacant land (such as interest, land tax, rates and maintenance costs) has been amended. The changes limit the deductions even if land was held prior to 1 July 2019. Land is considered vacant if it contains no permanent and substantial structure.

The limit on deductions do not apply to corporate entities, land used in carrying on a business or land used in the business of primary production.

## MISSED THE SINGLE TOUCH PAYROLL START DATE?

All employers were required to register for Single Touch Payroll (STP) and commence reporting wages to the ATO by 30 September 2019. However, the ATO acknowledges that there are still many small employers who have not yet registered. There are three options if you are an employer and have not yet commenced STP.

**OPTION 1** – Commence using STP. This may require an upgrade to your existing accounting software system

**OPTION 2** – If a business is a micro employer with 1-4 employees, it can elect for a registered agent to lodge the STP report once a quarter.

**OPTION 3** – Ask the ATO for more time and explain the circumstances of your business, such as location or inability to access online services.

Note that if a business only has closely held employees, it can automatically defer registration for STP until 1 July 2020.

## SALARY SACRIFICE ARRANGEMENTS INVOLVING SUPER

From 1 July 2020 an employer must calculate their superannuation guarantee obligations (currently 9.5%) on an employee's earnings base **before** any salary sacrifice superannuation amounts are taken into account. Previously, employers were able to reduce their superannuation guarantee obligations by calculating the 9.5% on the post salary sacrifice earnings base.

## SMALL BUSINESS TAX GAP

The Australian Taxation Office has renewed its focus on the black economy as it estimates that 90% of small business tax obligations are paid voluntarily. The 10% tax gap is estimated as being over \$11 billion.

The ATO has scheduled area visits to Bankstown NSW, Bega NSW, Frankston VIC and Croydon VIC, in response to black economy warning signs. The ATO is also receiving 230 tip offs a day to the Tax Integrity Centre as taxpayers want all members of the economy to pay their share.

## TAX DEFERRALS DUE TO BUSHFIRES IN NEW SOUTH WALES & QUEENSLAND

The ATO has granted taxpayers who have been impacted by the recent bushfires in New South Wales and Southern Queensland a two month lodgement and payment deferral.

If you are located in one of the specified 16 local government areas directly impacted by the fires, the deferral has been automatically granted.

## CIB FINANCE ARTICLE TO FIX OR NOT TO FIX? – BY FRANK SCHIRALDI

With interest rates at their lowest level for some time and with most lenders 1 to 3 years fixed interest rates now being lower than the banks variable interest rate, many clients are asking the question: **Do we fix our loan or is it better to have a variable rate?**

### WHICH LOAN IS RIGHT FOR ME?

That all depends on your circumstances. Variable and Fixed Loans have both advantages and disadvantages, so it's imperative to consider those. Split Loans combine features of both variable and fixed allowing you to broaden your options.

### VARIABLE LOANS

#### Advantages

- When the Reserve Bank or the market lowers interest rates, these savings will usually be passed on to you.
- You can make additional repayments without incurring a penalty, then have the option to redraw the funds at a later date.
- You have the option to split your loan so that it is both fixed and variable.
- Provides more flexibility than other types of loans.

#### Disadvantages

- When the Reserve Bank or market increases rates, the interest rate on your loan will also increase – meaning you will pay more interest.

### FIXED LOANS

#### Advantages

- During the fixed term, your repayment won't change making budgeting easier.
- During the fixed period, if interest rates go up your loan interest rate and repayments won't change.

#### Disadvantages

- Most fixed loans limit the flexibility of being able to make extra repayments, with most lenders allowing up to a maximum extra repayment amount each calendar year (without being charged a fee by the lender). You are not able to redraw the extra repayments during the fixed rate period.
- When market rates go down, the rate on your loan will remain the same so you won't have the benefit of potential savings.
- If you choose to exist or switch your loan during the fixed rate period, there may be early repayment or Break Costs.

### How easy is it to switch all or split part of your loan to a fixed rate?

It's as easy as ringing the bank or completing a loan switch form. Though there are many factors to be considered before making a change to your loan.

This is where we are able to help you by researching what is available and if making the change is the right solution for your situation, then we help make the process as smooth as possible.

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CLIENT'S BUSINESS AS IF  
IT WERE OUR BUSINESS**

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Moller**  
Partner  
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**RONELLE  
Wilson**  
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**JOEL  
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Bellach**  
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Burns**  
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& Com (Acc)

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LONG-TERM  
RELATIONSHIPS  
WITH OUR CLIENTS**



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## **CIB FEATURE ARTICLE** **INTRODUCING THE BUSINESS MODEL CANVAS** **– HOW TO CREATE A SUCCESSFUL BUSINESS MODEL** **– BY LUKE BURNS**



**An excellent tool for evaluating your current business model and for exploring alternatives is the **Business Model Canvas (BMC)**.**

In summary, the Business Model Canvas (BCM) is a strategic management template for developing new or documenting existing business models. It is a visual chart with elements describing your business' value proposition, infrastructure, customers, and finances. It assists in aligning your activities by illustrating potential trade-offs.

### **THE BUSINESS MODEL CANVAS WILL:**

- **MAP EXISTING BUSINESS MODELS**  
– Visualize and communicate a simple story of your business model.
- **DESIGN NEW BUSINESS MODELS**  
– Use the canvas to explore new models even for existing businesses.
- **MANAGE A PORTFOLIO OF BUSINESS MODELS** – Use the canvas to easily juggle between “Explore” and “Exploit” business models.

A major benefit of the BMC is its ability to essentially break down your business model and draw into various sectors. It enables the user to grasp and develop particular areas of a business, all while having it displayed on a one page document. It allows the user to work through the fundamental elements of a business or product, structuring an idea in a coherent way.

The BMC targets the key elements that harness a successful business model, with the right side of the BMC focused on the customer, and left side is focused on the infrastructure and categorizes the processes and internal activities of a business into nine separate categories.

### **NINE SEPARATE CATEGORIES**

#### **1. Value Proposition**

- The key foundation to any business is your Value proposition, it is the fundamental concept of the exchange of value between your business and your customer/clients.

#### **2. Customer Segments**

- Customer Segmenting is the practice of dividing your customer base into groups of individuals, business' and industries that are similar in specific ways. This can assist in focussing resources and strategy.

#### **3. Customer Relationships**

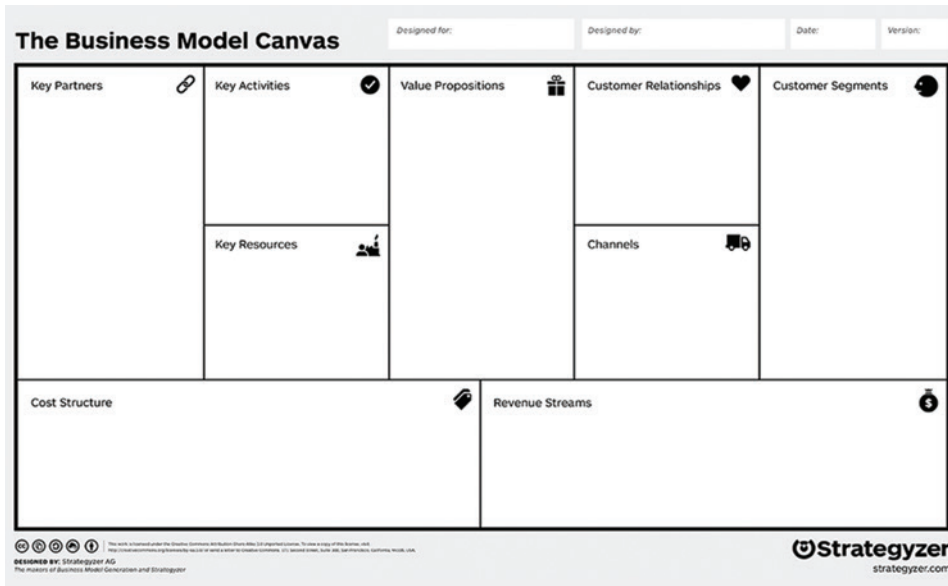
- Customer Relationships are the various ways a business interacts with its customers.

#### **4. Channels**

- Channels are the means you use to sell your products or services to your customers, how customers first come into contact with your product, and how your product ends up with the customer.

#### **5. Key Activities**

- The key activities are the strategic actions your team must undertake to make the business model work, and achieve the value proposition you have set out to achieve.



## 6. Key Resources

- These are the assets of your organization fundamental to how it provides value to customers. Resources can be categorized as human, financial, physical and intellectual.

## 7. Key Partners

- Key partnerships are the network of suppliers and partners who complement each other in helping the company create its value proposition and perform its key activities.

## 8. Revenue Streams

- This area goes beyond the price of the product. It asks the question, how is the business generating its income and where is it coming from?

## 9. Cost Structure

- Cost Structure defines all the costs and expenses that your company will incur while operating your business model.

Business Model Canvas is designed to assist you to drill down into the finer details of your business and help closely examine your value proposition.

It exposes the opportunities that exist both outside and within your current business model and moves ideas from the 'in theory' stage to the planning stage.

At CIB, our advisers utilise the Business Model Canvas to really grasp the fundamentals that drive a business.

To learn more about how best to use a BMC and download a template, visit: [www.cibaccountants.com.au/bmc](http://www.cibaccountants.com.au/bmc)

For further assistance in analysing the details and visualising your business model, our dedicated advisors can assist in extracting the potential that your business holds.

**Talk to us about your business today**

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**WE HELP MAKE BUSINESS DECISIONS EASIER**

**IMPORTANT:** Information contained in this newsletter is not advice. Clients should not act solely on the basis of material contained in this bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also, changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The bulletin is issued as a helpful guide to our clients and for their information.

**PAUL  
Israel**

**GREAT PEOPLE THAT  
KNOW & UNDERSTAND  
ALL LEVELS OF  
BUSINESS & FINANCE**



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## **CIB PRIVATE WEALTH ARTICLE** **SUMMER 2019 MARKET UPDATE – BY PAUL ISRAEL**

In this update we examine the market during the quarter and the first part of the year, why the Australian economy has avoided a recession in the past and key areas of support for the Australian economy.



### **FIRST QUARTER**

The September quarter has seen markets finish up slightly. A period of consolidation is hardly surprising given the Australian market is up 23.07% since 1st January 2019. The combination of declining interest rates, policy continuity post the federal election, and reasonable company earnings for our core stocks have underpinned share prices.

The Reserve Bank of Australia again cut the cash rate to a record low of 0.75% in October. As we have written previously the key reason the RBA is cutting interest rates is to stimulate the economy, create more jobs, and increase inflation. The central bank believes the unemployment rate needs to be below 4.5% to push inflation from the current rate of 1.3% up into its 2 to 3% target range. Typically, lower unemployment contributes to higher inflation. The RBA previously thought that an unemployment rate of about 5% (currently 5.3%) was low enough for inflation to reach its target.

The RBA is expected to cut interest rates again between now and February. Our base case for a number of years is that we are in a period of structurally lower interest rates, in part due to ageing populations and technology innovation.

### **WHY HAS THE AUSTRALIAN ECONOMY AVOIDED A RECESSION OVER THE PAST 28 YEARS?**

Australian economic growth has slowed to the weakest since the GFC. June quarter GDP growth was just 0.5% and annual growth has fallen to 1.4%.

The absence of an Australian recession – whether defined by two quarterly GDP contractions in a row or negative annual growth - for 28 years is instructive. Many forecast recessions at the time of the 1997-98 Asian crisis, 2000-2002 tech wreck, the GFC and from around 2012 as the mining investment boom ended. But it didn't happen. Key reasons why:

- Economic reforms made the economy more flexible;
- The floating of the \$AU has seen it fall whenever there is a major economic problem providing a shock absorber;
- Strong growth in China that helped through the GFC;
- Strong population growth; and
- Counter cyclical economic policy – like stimulus payments and monetary easing;

### **KEY AREAS OF SUPPORT FOR THE AUSTRALIAN ECONOMY**

Sources of support for the economy which should mean that an official recession is unlikely:

- **TAX CUTS SHOULD PROVIDE SOME GROWTH BOOST** – While July retail sales were disappointing, the experience from the GFC stimulus payments is that the tax cuts will provide some lift to growth in the months ahead and various retailers have expressed optimism about this recently.
- **THE THREAT OF CRASHING PROPERTY PRICES LOOKS TO BE RECEDING** – While it's so far been on low volumes, buyer interest has returned to the Sydney and Melbourne markets and we never saw the much-feared surge in

non-performing loans or forced selling. This has helped remove the threat of a debilitating negative wealth effect on consumer spending.

- **INFRASTRUCTURE SPENDING IS BOOMING** – Recent state budgets saw the projected peak in infrastructure spending pushed out yet another year to 2020. And its likely states will seek to take even greater advantage of ultra-low long-term borrowing costs to further push out the peak in infrastructure spending.

- **THE LOW \$A IS HELPING TO SUPPORT THE ECONOMY** – The \$A is down 39% from its 2011 high and this provides a boost to Australian businesses that compete internationally by making them more competitive.

- **THE BUSINESS INVESTMENT OUTLOOK IS SLOWLY IMPROVING** – The big drag on growth as mining investment fell back to more normal levels as a share of GDP is over and mining investment plans are rising. This is driving some pick-up in the outlook for overall business investment.

- **THERE IS SCOPE FOR EXTRA FISCAL STIMULUS** – The Federal budget is back in surplus and while we have had a long run of deficits our public finances are in good shape compared to the US, Europe and Japan. As a result, there is scope to provide more fiscal stimulus.

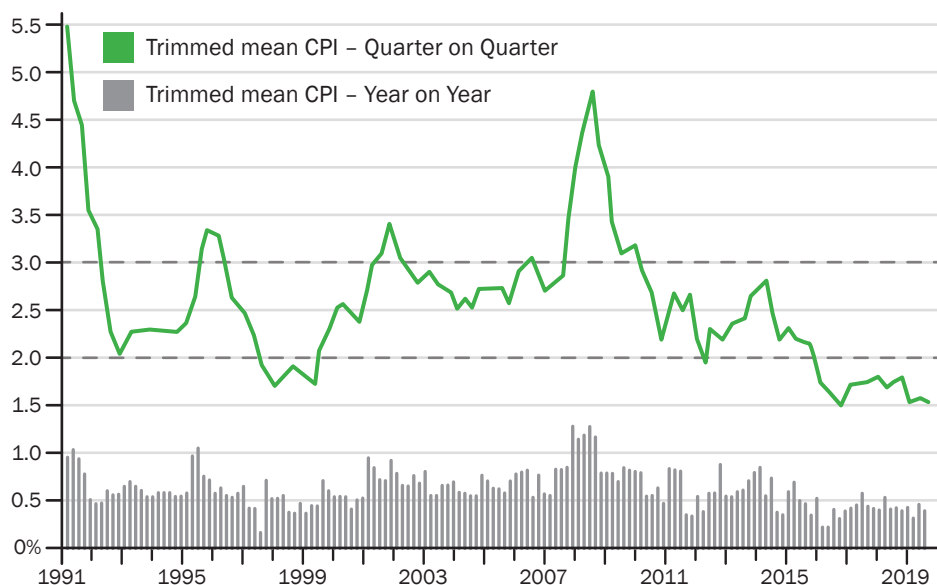
- **POPULATION GROWTH REMAINS STRONG** – Australia's population growth at around 1.6% pa remains strong. Solid population growth also has significant benefits in terms of supporting demand growth, preventing lingering oversupply and keeping the economy dynamic.

## INVESTMENT STRATEGY

Historically periods of low inflation, low interest rates and low unemployment have been very positive for shares. Our preferred exposures include healthcare, infrastructure, technology, overseas earners, and resources.

Please do not hesitate to contact us if you have any queries, or if you would like to discuss your portfolio.

**CHART 1:** Official inflation figures have been below the RBA target range



**Talk to us about your business today**

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## UPCOMING KEY DATES & DEADLINES

1 DECEMBER 2019	2019 Income Tax Payment required for Large and Medium taxpayers (lodgement is due 15 January 2020)
1 DECEMBER 2019	2019 Income Tax Payment due for head companies of a large or medium consolidated group (lodgement due 15 January 2020)
1 DECEMBER 2019	2019 Income Tax Payment due for companies and super funds when lodgement of the return was required on 31 October 2019
21 DECEMBER 2019	November 2019 Monthly Activity Statement due for lodgement and payment
25 DECEMBER 2019	Merry Christmas!
15 JANUARY 2020	Lodgement of 2019 Income Tax Returns for Large and Medium taxpayers
21 JANUARY 2020	December 2019 Monthly Activity Statement due for lodgement and payment for businesses over \$10M turnover
21 JANUARY 2020	Quarterly PAYG Instalments activity statement due for lodgement and payment for head companies of a consolidated group
28 JANUARY 2020	Superannuation Guarantee Contributions due for payment for October – December 2019 quarter
21 FEBRUARY 2020	December 2019 Monthly Activity Statement due for lodgement and payment for business under \$10M turnover
21 FEBRUARY 2020	January 2020 Monthly Activity Statement due for lodgement and payment
28 FEBRUARY 2020	Lodgement and payment of 2019 Income Tax Returns for non-taxable large and medium entities
28 FEBRUARY 2020	Lodgement and payment of 2019 Income Tax Returns for new registrants who are large or medium entities
28 FEBRUARY 2020	Lodgement and payment of 2019 Income Tax Returns for new Self-Managed Superannuation Fund registrants
28 FEBRUARY 2020	October – December 2019 Business Activity Statement due for lodgement and payment
28 FEBRUARY 2020	Lodge and pay Annual GST Return if taxpayer does not have an Annual Income Tax Return requirement
21 MARCH 2020	February 2020 Monthly Activity Statement due for lodgement and payment
31 MARCH 2020	2019 Income Tax Return due for individuals and trusts whose latest return resulted in a \$20,000 or greater tax liability
31 MARCH 2020	2019 Income Tax Return due for lodgement and payment for companies and super funds with a turnover of greater than \$2M unless required to lodge earlier

## CIB CLIENT CORNER

Established in 1987, and a CIB Client since 1995, Arch-System is an Australian owned & operated business in the Aluminium Fabrication and Glazing industry.

Having grown up in the business, originally started by their late father Kenneth, Brent and Craig take a hands on approach to all their projects.

Recently awarded the Best Use of Windows & Doors Commercial Over 50k from the AGWA (Australian Glass and Windows Association) for their Marsden Hotel project, the brothers' success is a result of their passion for the industry, their honest, open manner with clients and state-of-the-art manufacturing methods.

CIB have been honoured to be part of the Arch-System team for the past 24 years and expect to celebrate many more of their successes in the coming years.



## TEAM CIB STAFF NEWS

### CONGRATULATIONS TO EXISTING STAFF MEMBERS

Congratulations to John Fraser and Barbara Douglas on their retirement which we celebrated with clients, some having been with them for 40 years! We wish them every happiness.

Congratulations to Clare Pendlebury on receiving the National Dux award for her first Chartered Tax Adviser subject!

Congratulations to Michelle Ratcliffe for making the finals of the Accountants Daily 30 Under 30 Awards, for Business Advisory.

Congratulations to Radlee Moller who has been given a seat on the DFKANZ Board of Directors.

Congratulations to the men of the CIB Mo Audit Team for participating in Movember and growing magnificent Mos in support of men's health.

### CIB WELCOMES NEW STAFF!

- Mark Wakeham to Team Ladkins
- Mahendar Dawani to Team SMSF
- Cameron Day to Team Chowdhury
- Jacob Zalac to Team Koryzma
- Dragan Kalinic to Team Rooney / Duncan