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MERRY CHRISTMAS

We would like to take this opportunity to wish all of our clients and their families a very happy Christmas.

We will be taking a short break over the Christmas period.

END OF YEAR UPDATE '21

THE END OF YEAR GUIDE FOR YOU & YOUR BUSINESS




Lee & Lee
Better Advice • Better Future

Changing Jobs? Be Careful Of The Tax Sting

The holiday period approaching may see many people decide that, rather than a new resolution, a new start is required for a new year. Sometimes, this involves changing jobs.

Many might prefer to take the time to finish up in one position and take a well-deserved break, but in other cases, you may find that you'd prefer to finish up on a Friday and start the new job on Monday after.

If you finish on a Friday, receive some holiday pay, and then commence the new position on Monday, you could face a possible tax sting. Essentially, over the first few weeks of being in a new position, you would be being paid for two jobs (holiday pay for the old job and wages for the new job).

When you are paid, you are allowed to claim

the tax-free threshold. What this means is that you will not pay any tax on the first \$400 of your wages. If you have a second job, the tax-free threshold cannot be claimed while you are still employed by the first job as it should be the one that you are receiving the threshold for. If you finish one job that you already have the tax-free threshold for, you can then claim it for your new job.

For those first two weeks of receiving two salaries, you will get two tax-free thresholds.

At tax time, this could come back to bite you if you have not had enough tax taken out of your wages. This is because of the overlap period between the old job and the new job.

It is not being said that you should not start your new position immediately because they will not be deducting enough tax. However, be mindful that if you start a new job during the year immediately after leaving your old job, this will usually result in not enough tax being taken out of your wages come tax time.

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Prepare Your Business For The Holiday Season

While many may have gotten a taste of the impact that COVID-19 had on their businesses last year, this year has proven that things might look a little different in storefronts.

Online shopping has become a new normal that people have embraced for safety and convenience - but businesses that can serve both shoppers from afar and reassure those who venture out that they are safe have the biggest opportunities for a strong holiday sales season.

In doing so, many businesses may have to adapt their operations to suit a more COVID-safe and shopper-friendly environment for customers.

Click & Collect

Click and collect allows customers to have the opportunity to purchase online, without the usual costs of delivery associated with it. You could consider adding scheduled

collections of purchases to your online shopping experience. If you are a small business looking towards the holidays, this could promote further interaction with your customers.

Offer Gift Wrapping

Who doesn't love the convenience of a gift-wrapped, ready to go present? If you offer your customers gift-wrapping as a complimentary service online (or for a small charge), that could be the little nudge they need to choose you over a rival competitor. Expediting orders to ensure that they arrive in time for holiday celebrations may also tip you over the edge.

Make More Inventory Available

Retailers who may have limited stock available could face difficulties retaining their customers' attention, as customers have been noticed to purchase multiple items during their shops, rather than make one-off purchases. In-person store visits may also

be impacted, as customers may be doing more targeted shopping to avoid more store visits. To get the most out of the holiday season, ensure that you are fully stocked and address store backlogs.

Reconnect With Customers

The effects of social distancing include feelings of isolation and loneliness, so one thing businesses can do this season is to reconnect with past customers. Whether this is through an email promotion (with a discount code), a personalised note or a small gift (if feasible) is entirely up to you. This approach can bring your company name to mind at a time when consumers are buying more products and services than usual.

The planning around the holiday season this year will require flexibility and adaptability. Ensuring that you are prepared to handle it might require some extra help.

Start a conversation with us about your business planning needs well in advance so that we can help you convene in the new year.

And Some FBT Under The Pear Tree...

The end of the year might be the time that you look for ways in which to say thank you to your hardworking employees, especially after the challenges of the past 12 months.

While a work Christmas party may have been a previous method that you have employed to demonstrate this, the expense of it could be a deciding factor. Christmas parties are regarded as "entertainment" expenditures, which means that they are not tax-deductible, and the employer may have to pay FBT if the party costs \$300 or more per person.

With potential COVID restrictions for venues and the costs involved with hosting, an end of year party might not be feasible for your business this year.

Instead, it may be a better idea to thank your staff through the act of giving certain items known as "non-entertainment" gifts. These non-entertainment gifts cost less than \$299.99, are fully tax-deductible

and carry no FBT.

Non-entertainment gifts are usually exempt from FBT when the total cost of the gift is less than \$299.99 (inclusive of GST). An employer can also claim tax deductions and GST credits for every non-entertainment gift they give to staff members. These types of gifts could include beauty or skincare products, flowers, wine, gift vouchers or hampers.

If you provide a similar gift to the spouse/partner of an employee, the FBT exemption will also be valid. This can be a nice way to say thank you to the hard-working members of your staff while promoting a positive work culture.

Providing your employees with gifts that are considered to be "non-entertainment gifts" but cost \$300 or more (including GST) is less tax effective. Even though the gift giver can still claim a tax deduction and GST credit, FBT must be paid at the rate of 49%.

You can still give staff members entertainment gifts as a way of saying

thank you, though this is a less beneficial and tax-favourable option from an employer's point of view. Examples of entertainment gifts include tickets to a play, sports event, musical, theatre or even providing a holiday.

These gifts may not be FBT payable if they cost less than \$299.99 (including GST), or claimable for a tax deduction or GST credit. However, if they cost more than \$300 (including GST), an employer can claim a tax deduction and GST credit, but FBT is payable at a rate of 49%.

Some fringe benefits (such as these gifts) may need to be included in payment summaries. When the value of certain fringe benefits amounts to more than \$2,000 in an FBT year, it is your responsibility to record that amount in your payment summary.

Want to know more about possible FBT exemptions that might apply to gifts you give to your employees this holiday season? Speak with us about how you can make this work for your situation.

Merry Marketing Ideas For The Small Business

While marketing is important throughout the year, the holidays bring with it a trove of opportunities for small businesses to get onto. It's a guarantee that your customers will be out to buy. The hard part is making sure they buy from you.

Creative marketing comes into play to ensure that your business stands out from your competitors. That doesn't mean that the budget needs to be broken or blown - rather, planning ahead and knowing how you want to target your potential customers will reap far greater rewards. Drive towards more sales, boosting brand impressions and awareness and turning one-time shoppers into loyal customers with some of these ideas.

Develop A Holiday Gift Guide

If your business provides goods and services that your customers love, you can expound on that loyalty by producing reasons why they should share them with their friends and family.

A good gift guide leads the customer to the right gift idea as quickly as possible. One way to do this is to categorize gifts by personality (after all, you generally have the gift receiver's personality in mind when looking for a gift that they'd like).

Marketing Your Events To Suit The Holidays

Events are an easy method to show your customers that you care while driving brand awareness. It's also a fun way to encourage shoppers to step away from their computers in favour of in-store shopping. If you're getting back on your feet as a business or looking to reintroduce yourself to your customers, getting involved in events around the holidays can be a friendly and effective promotional tool to reach out to your customers.

Discounts & Sales

Who doesn't love a good discount code? Customers are more likely to spend more than they normally would if they receive a discount code from businesses. Use the holiday season to your advantage by connecting sales and discount codes for loyal or new customers alike.

The discounts can be for a specific product or service, a specific department, or varying dollar or percentage amounts. Be sure to align this with your top-level business goals for the greatest value.



Stapling Super Funds In The New Year

Employees will have a new obligation towards new employees and super going into the new year.

From 1 November 2021, "stapled super funds" have been introduced to minimise the occurrence of multiple super funds attributed to one employee. Where no choice is made of a superannuation fund by a new employee, the employer will no longer be able to nominate a default fund.

Instead the name of the employee's "stapled super fund" must be sourced from the Australian Taxation Office (ATO). Your registered tax agent (like us) can also assist you with this process.

This stapling has been put into place so that employees entering into the workforce will have a super fund that follows them throughout their employment.

Approaching the holiday period, you may be looking into engaging new employees to help your business cope. If you do, you will need to

ensure that you are abiding by the new rules around stapling.

As an employer, **you legally cannot provide your employees with recommendations or advice about super unless you are licensed by ASIC to provide financial advice.** You can give your employees information about choosing a fund, however, including:

- Why do they need to choose a super fund?
- The process of choosing a super fund.
- Your obligations as an employer to pay the super guarantee and provide a default fund to pay into
- How they can nominate their chosen fund

Remember, registered tax agents and BAS agents like us can help you with your tax and super queries. Come and speak with us about your options to ensure that you are compliant with super requirements as an employer.

Getting Ready For The Holiday Closedown Period

With plenty of disruptions already happening this year to businesses across the country, ensuring that the holiday shutdown for your business goes smoothly is more important than ever.

Notify Employees Of The Shutdown

It is always wise to notify your employees formally of the shutdown, whether that be through a printed memo, email, etc. You legally need to give them 14 days of notice, and as this time of year can be very busy and chaotic it can be quite easy for them to forget a quick conversation. By having the closedown plans in writing, you can also prove you have given adequate notice should any legal issues arise.

Making Leave Arrangements Easier

To avoid issues with staffing and conflicts resulting from leave, it's also best to give plenty of notice in preparation. Since the end of the year can be an expensive time for employees, it's best to head off conflicts about taking time off before they can escalate. You may give priority to seniority, notice given or have another system in place.

Check Off The End Of Year To-Do List

Coming back to work after the EOY shutdown can be quite tumultuous, particularly if the employees haven't completed appropriate tasks before closing down. Appropriate tasks should include:

- Notifying clients of the office's closing dates and reminding them that there won't be anyone to help them for the set time frame
- Diverting calls and emails, or setting up a vacation responder letting clients and people know when a response may be likely
- Wrapping up any projects before going on leave
- General office clean up such as cleaning out the fridge, taking out the rubbish (no-one wants to smell last year's milk when they come back), turning off appliances, etc.

Looking Towards FBT Strategies For 2022

There's no better time to start reviewing how your business approaches entertainment expenses than as the end of the year approaches. Doing so could help you find new approaches and strategies to simplify how you handle fringe benefits.

Optimise the savings your business could be making by reviewing your calculated method annually. Work out what method of calculation works for your business, depending on what fringe benefits you might provide. The 50/50 method, 12-week register method and the actual method might suit your business's needs best and enable better savings.

In looking towards 2022 for FBT:

- Ensure that employees understand and clearly define meal and entertainment expenses (which can be claimed as FBT). Simplify the process so that the quality of the data provided can improve from a compliance and calculation perspective.
- Provide appropriate documentation of all expenses (such as receipts) and have good record-keeping procedures in place.
- Minimising your FBT liability by evaluating the effectiveness of your business's calculated method - you can speak with us for assistance with this.

If you are looking for a way to maximise your savings and approach FBT a little differently in 2022, we are equipped to assist you in determining an FBT strategy to suit your needs. Come start a conversation with us.



Preparing Your Tax For The Holidays

With the hustle and bustle of the holiday season, you may be looking for ways to prepare for the coming year.

Tax might not be at the forefront of your mind, but preparing your taxes for the holidays should be a cost-saving measure that you put into place as soon as possible.

Here are some of the ways that you can prepare your tax for the holidays;

- **Charitable giving** is a powerful way to lower taxes while also supporting a cause you care about. The holiday season is the perfect time to think about income tax deductions.
- **Purchase long-term assets that can add profit to the business.**
- Be sure that **your record-keeping for the year is in order.**
- Sell off the investments that have been performing poorly (**harvest your losses now to avoid extra tax**).
- Think about your more complex tax situations now - if you are in the process of a major transaction, you will want **to begin analysing what you owe and could claim back as soon as possible.**

If you want to look towards 2022 with a fresh tax perspective, come speak to a registered tax agent today to help strategise a plan to suit you.

Put Your Holiday Money Towards Your Super This Year

The holidays can be an expensive time of the year but for those who may not be able to indulge in their usual travel plans, you could find yourself with some unexpected extra savings. By investing those savings into your superannuation fund through concessional contributions, you could put the money to good use.

The general concessional contributions cap limit was raised to \$27,500 from 1 July 2021. If you have unused concessional contributions from the previous year, you may be able to add that total amount to the \$27,500.

The unused concessional cap is available if the following criteria are met:

- The total super balance at the end of 30 June of the previous financial year is less than \$500,000; and
- Concessional contributions are made in a financial year that exceed the general concessional contributions cap
 - » If concessional contributions of less than the general cap are made in a financial year the contributions

will count towards the current year contribution cap and the carry forward unused cap will not be affected.

While a trip away may bring short term enjoyment, investing in your superannuation through concessional contributions could produce long-term benefits. Speak with your provider about contributions today to get started.

