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CLIENT INFORMATION BULLETIN

Welcome to this Spring Edition of the Kelly and Associates Newsletter. In this Edition we examine the latest personal income tax cuts, the single touch payroll system for small employers and 'cash in hand' payments. We also outline some recent announcements from the ATO detailing plans to visit 10,000 businesses this year, examine foreign income and undertake more data matching with regards to lifestyle assets. We have further included for your interest a QBO update and the lodgement deadlines.

The newsletter concludes with staff & client news and the announcement of our footy tipping competition winner. Thank you for reading our newsletter and we hope you are enjoying the warmer weather of Spring!

Tax Cuts Become Law

The Government has announced that more than 10 million Australians will receive immediate tax relief following the passage of legislation through the Parliament, which increases the top threshold for the 19% tax rate from \$41,000 to \$45,000 and increases the low income tax offset from \$645 to \$700 in 2022/23.

In combination with the legislated removal of the 37% tax bracket in 2024/25, the Government is also "*delivering structural reform to the tax system*" by reducing the 32.5% tax rate to 30%.

Low and middle income tax offset also now law

In addition, from the 2018/19 income year (i.e., last income year):

- The low and middle income tax offset ('LAMITO') has been increased from a maximum amount of \$530 to \$1,080 per annum and the base amount increased from \$200 to \$255 per annum; and
- Taxpayers with a taxable income:
 - ⇒ of **\$37,000 or below** can now receive a LAMITO of up to \$255;
 - ⇒ **above \$37,000 and below \$48,001** can now receive \$255, plus an amount equal to 7.5% to the maximum offset of \$1,080;
 - ⇒ **above \$48,000 and below \$90,001** are now eligible for the maximum LAMITO of \$1,080; and
 - ⇒ **above \$90,000 but is no more than \$126,000** are now eligible for a LAMITO of \$1,080, less an amount equal to 3% of the excess.

The ATO has implemented the necessary system changes so taxpayers will have any offset they are entitled to taken into account during the normal processing of their return.

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Single Touch Payroll Start Date for Small Employers

Employers are reminded that Single Touch Payroll (STP) reporting now applies to all employers, with minimal exceptions. As noted in the last newsletter, the ATO provided small employers with an extension of the 1 July deadline. Employers who begin reporting any time between 1 July and 30 September will be considered to be reporting on time. If you are an employer, please ensure you begin reporting prior to the deadline.

Just in case you missed the update on STP in the last newsletter we have included it again for your information.

STP Employer Update

Employers with 19 or fewer employees are required to start reporting through Single Touch Payroll (STP) from 1 July 2019.

For employers under the STP the following changes will occur:

- You will be reporting salary and wages, PAYG withholding and super information to the ATO at the same time as you pay your employees.
- You are no longer required to give your employees a payment summary at the end of the financial year for the information you report through the STP system.
- Year-to-date and end-of-year tax and super information for your employees will be available in their ATO online account linked to my Gov.

The ATO will be working with employers to support them as they transition to STP, including allowing small employers to start reporting any time from 1 July to 30 September.

The ATO recognises there will be circumstances where more time is needed to implement STP or lodge reports. They will:

- Offer micro employers (1 to 4 employees) help to transition to STP. Where a micro employer relies on a registered tax or BAS agent they can report quarterly for the first two years.
- Grant deferrals to any small employer who requests additional time to start STP reporting.
- Apply no penalties for mistakes, missed or late reports for the first year; &
- Provide exemptions from STP reporting for employers experiencing hardship or in areas with intermittent or no internet connection.

Please also note that employers with 19 or less employees do not need to report 'closely held payees' in 2019/20 and can instead report them quarterly from 1 July 2020.

We remind our QBO users that QBO is ready and compliant for STP. Please note that assistance is available for clients who need someone to demonstrate the workings of STP and we are happy to visit you on-site to work through the various procedures.

Please also contact our office if you require any further assistance or information regarding your STP obligations.

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'Cash in Hand' Payments to Workers no Longer Tax Deductible

The ATO has reminded employers that any 'cash in hand' payments made to workers from 1 July 2019 will not be tax deductible.

'Cash in hand' refers to cash payments to employees that do not comply with pay as you go (PAYG) withholding obligations.

Payments made to contractors where the contractor does not provide an ABN and the business does not withhold any tax will also not be tax deductible from 1 July.

In addition to the loss of a tax deduction, employers caught not complying with their PAYG withholding obligations may be penalised for failing to withhold and report amounts under the PAYG withholding system.

However, employers who mistakenly classify their employee as a contractor will not lose their deduction where their worker provides them with an ABN.

The ATO Hits the Road

The ATO plans to visit almost 10,000 businesses this financial year in all States and Territories, across a variety of industries, as part of their strategy to deal with the black economy (they visited nearly 9,000 businesses in the 2018/19 financial year).

According to Assistant Commissioner Peter Holt, there are a number of businesses in some areas not registered for GST or PAYG withholding, which can be a sign of the black economy, as well as a number of businesses with overdue tax returns.

Other black economy signs that the ATO looks out for are things like lifestyle and assets far exceeding reported business income, sham contracting, a failure to provide pay slips, reports that employers are paying their workers cash in hand and keeping them off the books, or a lack of merchant payment facilities like EFTPOS.

Some businesses are more likely than others to get a visit from the ATO, including:

- Residential building construction;
- Building completion and installation services, and other construction services;
- Building cleaning, pest control, and gardening services;
- Accommodation;
- Pharmaceutical and other store-based retailing;
- Automotive repair and maintenance;
- Cafes, restaurants, and takeaway food services;
- Personal care services;
- Legal and accounting services;
- Computer system design and related services; and
- Adult, community and other education services

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ATO Watching for Foreign Income this Tax Time

The ATO is urging taxpayers who receive any foreign income from investments, family members or working overseas to make sure they report it this tax time.

New international data sharing agreements allow the ATO to track money across borders and identify individuals not meeting their obligations.

"This year, the ATO has received records relating to more than 1.6 million offshore accounts holding over \$100 billion and is now using data-matching and sophisticated analytics to identify foreign income that has not been reported," Assistant Commissioner Karen Foat said.

The ATO has shared data on financial account information of foreign tax residents with over 65 foreign tax jurisdictions across the globe, including information on account holders, balances, interest and dividend payments, proceeds from the sale of assets, and other income.

In addition to a small number of individuals deliberately engaging in tax avoidance, the ATO is concerned about a large number that are unsure of how to meet their obligations.

"If you're an Australian resident for tax purposes, you are taxed on your worldwide income, so you must declare all of your foreign income no matter how small the amount may be. This may include income from offshore investments, employment, pensions, business and consulting, or capital gains on overseas assets," Ms Foat said.

"Even if you have paid tax on the overseas income it must be reported to the ATO, however you may be able to claim a foreign income tax offset to account for any foreign tax paid."

Lifestyle Assets Data Matching Program

The ATO has released details of their *"Lifestyle assets 2013-14 and 2014-15 financial years data matching program protocol"*.

They will obtain information on **insurance policies** for certain classes of assets, including marine vessels, enthusiast motor vehicles, thoroughbred races horse, fine art and aircraft to improve their profiling of taxpayers and provide a more comprehensive view of their assets and accumulated wealth.

QBO Update

Urgent Reminder for Automated Superannuation Preparers:

Effective from 1 September, QBO will use 'Beam' in place of 'ClickSuper' for superannuation clearing house services. Please be aware that you will no longer be able to create super batches and continue processing automated super payments unless you are registered with Beam.

If you need assistance registering with Beam or you are yet to automate your employee super processing, please contact our office. We would love to help you minimise your administration time associated with this task!

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Lodgement Obligations

Date	Description
21st each mth 2019/20	Monthly IAS lodgement due — All lodgements
28 October 2019	Superannuation guarantee contributions to be paid
28 October 2019	Quarterly IAS/BAS lodgement due — paper
25 November 2019	Quarterly IAS/BAS lodgement due — electronically
15 May 2020	Final lodgement date of 18/19 individual tax returns

Staff & Client News

Congratulations Alison & Dan

We are delighted to share with you some special news! Alison Lees and her husband Dan are expecting their first child in early January! We wish them all the best and we are very excited about the prospect of a beautiful newborn baby to cuddle.

Welcome to our Newest Staff Member

Please join us in welcoming Ashleigh Havard to the Kelly and Associates team.

Ashleigh is working as a trainee accountant in a full-time role. Ashleigh has a delightful personality and loves accounting! We hope she enjoys working at Kelly and Associates and we look forward to watching her progress with her accounting career.



Footy Tipping Winners

Congratulations to Steve Wrigley for winning our Kelly and Associates Staff and Clients Footy Tipping Competition for 2019. Steve managed to win by one correct tip, with Leanne Dean on 136 tips coming second. Steve wins a client hamper and some special beverages.

Congratulations also to Alison for winning our internal tipping competition with a grand total of 134 tips. Well done Steve and Alison!

Thank you to our staff and clients for their participation in the competition this year. Thank you also to Sean for organising the footy tipping competition. His effort and diligence in checking results and communicating with tippers is greatly appreciated.



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Staff & Client News

Leasehold Opportunity in Inverleigh

An exciting business opportunity exists in Inverleigh for a cafe, restaurant or bar. The former premises of Gladioli is available for lease. This is an attractive fully equipped premises that offers an owner/operator access to a growing residential area and a renowned foodie hub. The rent is approximately \$35,000 with three years on the lease from December 2019.

Any queries can be directed to Clare Bliss or Ambrose Kelly.



XTM Opens New Store in Torquay

Leading Australian snow and outdoor wear wholesaler XTM Performance has opened a flagship store at its new headquarters in Torquay. Designed by Founder and 1988 Winter Olympian Pete Forras, the new store is modern, warm and environmentally friendly. The new premises include a retail shop along with offices for the sale, design, marketing and administration arms of the business. At Kelly and Associates we love our XTM gear so next time you are in Torquay check out the amazing range of products on offer from XTM. XTM Torquay is located at 44 Spring Street.



Westend Open for Business

Publican Cam O'Keefe has recently opened his exciting new venture Westend in Little Malop Street, Geelong. The historic two-storey building, formerly known as the Eureka Hotel, has been transformed into a modern restaurant, bar and function venue. It will also have a large alfresco dining area, spilling out onto Little Malop Street and surrounding laneways. A terrific selection of drinks is available at Westend with Westend Draught one of our favourites!



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