

PULSE

19
SPRING

FINDING YOUR “WHY” IN BUSINESS

A QUARTERLY
PUBLICATION OUTLINING
RELEVANT BUSINESS
ISSUES FOR YOU

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PKF



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SEPTEMBER IS UPON US; SPRING IS IN THE AIR AND SO, I WELCOME YOU TO OUR LATEST EDITION OF PULSE.

In this issue of Pulse, our specialist advisers outline a range of issues and thought leadership for business such as interest rates hitting all-time lows, whistleblowing in the boardroom to tax updates and understanding your “why” in your organisation.

From an economic point of view, while post-election we see many now getting on with business, there remain some industries who continue to see it tough. We shout out to the farming community who continue to see some of the toughest conditions on record and know that as a community we are all behind you. We encourage all to continue to support this heartland industry of Australia in whatever way possible.

On a broader scale, there are mixed views on business conditions with some saying business confidence has slumped – however, the recently passed tax cuts, government spending foreshadowed in certain sectors and mining projects occurring do give cause for optimism.

For business owners, there is never a more important time to take advantage of the data in your business to analyse trends and look below the numbers into key drivers. Data below the numbers is an essential part of business, can help drive growth as well as save time and money, all essential in tough times and will help you thrive in the modern economy. At PKF, our specialist data team have been working with a number of businesses in providing more insight and clarity so they can make more informed decisions about key strategic and operational aspects of their business. As always, we encourage you to discuss any specific issues you might have or raise any questions with your Client Relationship Manager.

On our people front, the PKF team continues to thrive and I'm proud to announce that at our EOFY Ball, Josie McEnallay was awarded the title of PKF Employee of the Year. Josie continues to step up, taking initiative when needed and bringing new ideas to the team. The standard of work and level of knowledge she has developed and demonstrated over her time at PKF is impressive and she has shown profound growth. Josie is a quick learner who has developed into a fine Senior Accountant, nourishing her relationships with clients, many of whom have taken the time to provide positive feedback. Well done Josie.



■ Steve Meyn & Josie McEnallay

Since we last went to print, Joel Floyd, a valued member of our Newcastle Advisory team, has returned from a secondment with PKF London firm, PKF Littlejohn. A great thing about being members of PKF International is aside from the reach of support we can provide to clients is the secondment opportunities for employees. With offices in 440 cities and 150 countries, there are no limits to where you can go with PKF. Joel loved living in the UK and ended up extending his 12-month secondment for another year, so we are very pleased to welcome him back!



■ Joel Floyd

Lastly, as you all know community partnership is a core part of our fabric here at PKF, and we pride ourselves on continuing to give back to the communities in which we operate. Off the back of our State of Origin event for the Westpac Rescue Helicopter Service, we are looking forward to our annual Sydney Golf Day for AMP CAMP and our upcoming Breast Care Fundraiser Breakfast, which has raised over \$233,000 for Hunter Breast Care Nurses to date.

Until the next edition. We thank you deeply for your ongoing support.

Warm regards,

Steve Meyn

Managing Director

Even if listing is not the best strategic option, there are many other avenues for strategic growth and/or to realise value.

Is Publicly Listing Right For Your Business?

OUR CORPORATE FINANCE TEAM OFTEN ADVISES BUSINESSES THROUGHOUT THE LISTING PROCESS. SOME OWNERS WE SPEAK TO HAVE A PRECONCEIVED NOTION THAT LISTING IS AUTOMATICALLY THE ULTIMATE GOAL FOR ANY BUSINESS. LURED BY THE SPOTLIGHT THAT LISTING PROVIDES, WE ARE OFTEN ASKED WHEN THE BEST TIME TO LIST IS. WHILE ANSWERING THE 'WHEN' IS AN IMPORTANT DECISION, THE MORE VITAL QUESTION AND AN OFTEN TOO FREQUENTLY OVERLOOKED QUESTION IS THE WHY.

There are of course many advantages of publicly listing:

- 6 Path to capital** – largely due to our superannuation system, Australia has one of the largest pools of investible funds in the world. This capital can be used to either fund growth, capital expenditure or pay off existing debt.
- Spotlight** – listing enables your company's activities to receive greater coverage, widening awareness of your products and services. This increased profile may serve and sustain demand for your company's shares and increase the standing of your business within its industry.
- Access to liquidity and enable shareholders to realise value** – owners thinking of listing have worked hard to get their business in that position. Listing can provide an alternative path to enable owners to get "money off the table".
- Strengthen capital base** – follow on capital raises are more simplified and easier once listed.
- Provide de facto third-party valuation by the market** – the market values shares based on future expected cash flows and available information. This type of valuation is not possible without listing.

U Allow increased alignment of employees/management – this is done through simplifying remuneration and share based pay, enabling you to attract and retain high quality employees.

Why listing may not be appropriate:

- 1 Not able to meet listing requirements** – your company must meet several listing requirements noting that these requirements are not exhaustive nor guarantee a successful listing. These include satisfying the Australian Stock Exchange's (ASX) profit or asset test, having at minimum 300 non-affiliated investors and a free float of 20%.
- 2 Substantial cost** – the cost of listing on the ASX can be substantial. This is largely dependent on size, complexity and degree of marketing required. Costs can be minimised however by working with advisers with IPO experience. Listing costs are likely to include legal, underwriting or brokerage fees, accounting, and other professional fees, as well as prospectus costs and ASX listing fees.
- 3 Post listing requirements** – forced and a high degree of continuous disclosure and increased corporate governance once listed.
- 4 Increased Directors' responsibility.**
- 5 Dilution of decision making and control.**
- 6 Exposure and susceptibility to market forces.**

Even if listing is not the best strategic option, there are many other avenues for strategic growth and/or to realise value. These can range but are not limited to:

- 1** Sale to strategic buyer;
- 2** Private Equity;
- 3** Venture Capital;



- 4** Management Buyout;
- 5** Refinancing and unlocking cash flow;
- 6** Joint Venture or Strategic alliances;
- 7** Crowdfunding;
- 8** Dual-track approaches; and
- 9** Alternative Public Offering (APO).

Going public or choosing an appropriate strategic avenue is a huge decision for any company. How do you know which path is the right one for you and your business? To help you decide which pathway is best, contact our Corporate Finance team.



Boards must carefully weigh the costs and burden of recording and calculating the required information with the benefits to be received.

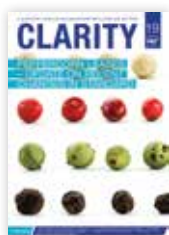
AUDIT & ASSURANCE

Clayton Hickey | Partner

AASB 1058 – Recognising The Financial Impact Of Voluntary Services

NON-PUBLIC SECTOR AUSTRALIAN NOT-FOR-PROFIT (NFP) ENTITIES WILL SOON HAVE THE OPTION TO RECOGNISE THE BENEFIT OF VOLUNTARY SERVICES RECEIVED IN THEIR PROFIT OR LOSS ACCOUNT. WHAT DOES THIS MEAN FOR THOSE IN THE SECTOR, AND SHOULD BOARDS BE CONSIDERING IMPLEMENTATION OF THIS CHOICE?

Following on from Hayley Keagan's article on *Peppercorn Leases* in the Summer 2019 edition of *Clarity*, we look to explore another aspect of AASB 1058, that of voluntary services received. The standard applies to annual reporting periods beginning on or after 1 January 2019 but can be early adopted so long as AASB 15 is also implemented for the same period.



What does the new standard allow?

One of the key provisions that the standard brings is to allow entities to account for the fair value of volunteer services as income within profit or loss. This becomes an accounting policy choice and entities can account for all services or just particular classes of service in this way. Entities need to consider both those services that they have received for free, and those for which they have paid significantly less than fair value.

These voluntary services can only be recognised if the fair value of the service received can be measured reliably. It should be noted that while this is an accounting choice for most NFPs, it

will remain mandatory for certain public sector entities in line with the existing requirements of AASB 1004.

Some voluntary services will be clearly identifiable, such as pro bono accounting or legal advice received. But entities will have to consider all of the other services they receive and for some entities this is expected to be quite difficult.

How are these accounted for?

It is anticipated that in most cases, the economic benefit of these volunteered services would be consumed as the services are acquired and so an equal charge would be shown in profit or loss which would negate any profit impact for a given period. However, in some circumstances, entities may be led to recognising additional assets where relevant recognition criteria are met.

As many NFP entities rely heavily on donated services to achieve their goals and objectives, it is thought that the provisions of this standard will result in more useful and relevant financial information for users. However, boards must carefully weigh the costs and

burden of recording and calculating the required information with the benefits to be received.

What should entities be doing?

For entities with the greatest number of donated services, the burden of keeping track and performing appropriate fair value assessments will also be great.

Ultimately the additional information provided by these optional disclosures is expected to benefit users of financial statements and where there is little cost in obtaining that information, it would seem reasonable for boards to provide the additional disclosure. Where boards are less sure of the burden of providing the additional information, they may wish to consider discussing the voluntary services received in the trustees' report whereby more information can be provided to stakeholders but perhaps under a less strict framework.

Should you wish to explore the options above further, please contact your local PKF office.

It is common for businesses to think that it wouldn't happen in their business, but the reality is that fraud is happening to them and it can happen anywhere. The risk of not having a hotline is too high, both financially and culturally.



Managing Director | David Morgan

PKF INTEGRITY

Whistleblowing In The Boardroom – Part 3

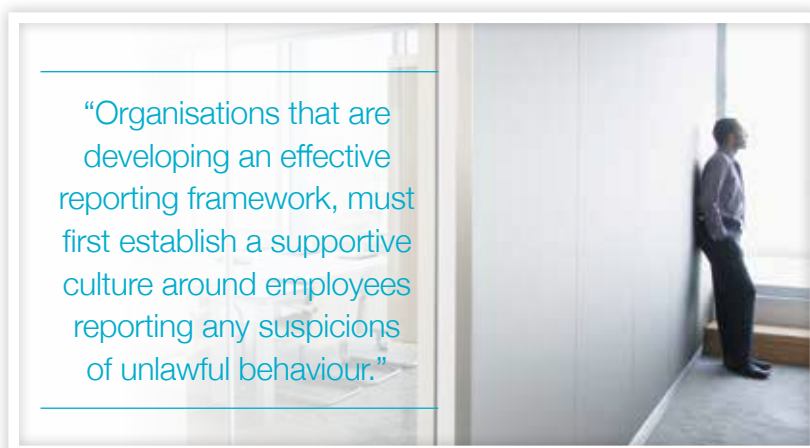
A need for change in attitudes towards whistleblowers

DESPITE IMPROVEMENTS IN SOME AREAS OF THE WHISTLEBLOWER FRAMEWORK, THERE ARE, UNFORTUNATELY, STILL SIGNIFICANT SHORTFALLS IN THE ORGANISATIONAL TREATMENT OF WHISTLEBLOWERS. A RECENT STUDY TITLED *WHISTLING WHILE THEY WORK 2* BY GRIFFITH UNIVERSITY SURVEYED 17,778 INDIVIDUALS WHO WERE REPORTERS, MANAGERS, EXECUTIVES AND GOVERNANCE PROFESSIONALS. IT REVEALED THAT WHISTLEBLOWERS ARE STILL TREATED BADLY BY THEIR MANAGEMENT OR COLLEAGUES (PRINCIPALLY MANAGEMENT) IN 42.1 PER CENT OF CASES ACCORDING TO REPORTERS AND 34.1 PER CENT ACCORDING TO MANAGERS AND GOVERNANCE PROFESSIONALS WHO DEALT WITH CASES.

What is concerning is that these results compared to the results of the survey's predecessor, *Whistling While They Work*, "public sector whistleblowers were mistreated in almost exactly the same proportions".

A key deterrent of whistleblowing has been how actions will be received by co-workers and managers after reporting the illegal activity. Disappointingly, according to the research, whistleblowers experienced negative repercussions in an average 81.6 per cent of cases, according to reporters (and 66.3 per cent according to managers and governance professionals who dealt with cases), including 56 per cent according to reporters and 34 per cent according to managers who experienced harassment and/or direct adverse employment impacts.

We believe more needs to be done in this space. Creating a culture where people are afraid to speak up inevitably leads to scandal. We see all too often



that when employees feel a lack of trust in the reporting procedures, this leads to a culture of underreporting. It is this company mindset that allows for the decades of malpractice that we eventually see come out of the woodwork just as we are seeing with the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. Companies need to be comfortable that there will be mistakes that happen in the business and look to take the opportunity to learn from them and implement changes, so it doesn't happen again.

Building a safer environment for whistleblowers

There are several steps that can be taken to build the trust necessary for employees to feel safe enough to have the confidence that they can report without feeling persecuted.

Organisations that are developing an effective reporting framework, must first establish a supportive culture around employees reporting any suspicions of unlawful behaviour. The first step any business must take is to establish a clear set of policies and procedures for employees to undertake when they feel they need to report an incident. The use of signage and banners to promote the policies and procedures regarding whistleblowing is a great way to educate staff about the availability of the service

as well as to encourage the reporting of any suspicious behaviour. In large organisations, PKF has also seen intranet advertising, regular communication from senior management and delivered by those leaders via email, at toolbox sessions, on induction days, etc.

Which type of companies require a whistleblower hotline?

At PKF Integrity, we have implemented hotlines and dealt with whistleblowers across a range of industries. Integrity is an issue for all companies, so any business would be wise to implement a hotline. It is common for businesses to think that it wouldn't happen in their business, but the reality is that fraud is happening to them and it can happen anywhere. The risk of not having a hotline is too high, both financially and culturally.

Such a solution seems simple in theory and yet companies are still grappling with the whistleblower and how to handle them effectively. One hopes improvement continues to occur because it is the best opportunity companies have in uncovering wrongdoing.

PKF Integrity provide expert risk advisory services in areas including contract risk as well as procurement management. For more information contact PKF Integrity at 07 3839 9733 or email integrity@pkf.com.au.



PKF WEALTH

Mark Folpp | Senior Financial Adviser

It remains to be seen if the RBA's interest rate policy will be effective in delivering on this aim. What is certain, though, is that it is now becoming very difficult for conservative investors to earn a reasonable return on their cash and term deposits.

As Oz Interest Rates Hit All-Time Lows, Where Do Investors Go For An Income?

UNTIL RECENTLY, THE RESERVE BANK OF AUSTRALIA (RBA) HAD KEPT THE OFFICIAL CASH RATE ON HOLD AT 1.5%, WITH NO CHANGE AT ALL FOR ALMOST THREE YEARS. IN JUNE 2019 THEY COMMENCED A CUTTING CYCLE, SLICING THE OFFICIAL CASH RATE TWICE BY 25 BASIS POINTS, TAKING AUSTRALIA'S OFFICIAL CASH RATE TO A NEW ALL-TIME LOW OF 1%.

The RBA's stated aim is to drive unemployment in Australia lower in the hope of igniting stronger wages growth, and with it, a pick-up in the rate of inflation. The minutes from the RBA's recent meetings point to the prospect of further rate cuts in the near term.

It remains to be seen if the RBA's interest rate policy will be effective in delivering on this aim. What is certain, though, is that it is now becoming very difficult for conservative investors to earn a reasonable return on their cash and term deposits.

In recent years, low interest rates have been a fact of life in many developed countries. Central Banks in the US and Europe slashed their interest rates to near zero as a policy response to the 2008-2009 Global Financial Crisis. Japan, the world's third largest economy, has had a zero-interest rate policy in place for the past 20 years.

Until recently, it appeared as though Australia did not face the same pressures to join the zero- interest rate 'club' but this now seems to have changed.

What does this mean for conservative Australian investors seeking income?

Returns from traditional 'safe' assets like cash and term deposits have fallen to the point where they are, in many cases, negative in real terms (that is – below the rate of inflation). This is increasingly forcing investors to consider increasing their risk tolerance in pursuit of income. This has resulted in

otherwise conservative investors being forced to consider holding more growth assets, such as shares and listed property trusts, in the pursuit of higher levels of income and the potential for capital growth.

Some attractive yields on offer in the market today

Term deposit rates around 2% per annum now compare very unfavourably to a grossed-up annual dividend for the Big 4 banks of 10% (including imputation credits) or listed property stocks yielding around 6% for the same period.

To invest in these types of income producing investments, you need to accept that the price of the investment may move around in line with the market and that these dividends may change in the future, depending on how that company performs financially.

With an understanding of your financial circumstances and your risk tolerance, a skilled financial adviser can help you understand the nature of the increased investment risk you may need to take in order to satisfy your retirement income goals.

With diversification and careful asset allocation, that allows for contingencies, there are sensible ways to increase your tolerance of the additional risk you may now need to take.

A portfolio that is diversified across the core asset classes of shares, property, bonds and cash should, over time, deliver a higher return to investors than what they can expect from a passive term deposit investment.

It appears that very low interest rates may be with us for some time, so now is the time to review your investment strategy. Contact a professional at PKF Wealth to guide you through your best options to achieve your goals.

The intent of the measure allowing the ATO to disclose such information is to support more informed decision-making within the business community and banking and finance industry, by making overdue tax debts more visible.



Director | Daniel Smith

PKF CENTRAL COAST

ATO Reporting Unpaid Liabilities To Credit Reporting Bureaus

THE MEASURE SEEKING TO ALLOW THE AUSTRALIAN TAXATION OFFICE (ATO) TO DISCLOSE BUSINESS TAX DEBTS TO CREDIT REPORTING BUREAUS HAS BEEN REVIVED, WITH *TREASURY LAWS AMENDMENT (2019 TAX INTEGRITY AND OTHER MEASURES NO. 1) BILL 2019*, INTRODUCED INTO THE HOUSE OF REPRESENTATIVES LATE JULY 2019.

The original measure, which lapsed with the calling of the election earlier this year, has been slightly tweaked from the original proposal.

Applicable to entities that are effectively carrying on a business, the disclosure of unpaid tax debts will impact those entities carrying on a business, with a liability of at least \$100,000, that has been overdue for more than 90 days.

This increases the value of the debt from \$10,000 which was originally proposed.

The intent of the measure allowing the ATO to disclose such information is to support more informed decision-making within the business community and banking and finance industry, by making overdue tax debts more visible.

The measure is also introduced to encourage taxpayers to engage with the ATO to manage their tax debts and reduce the unfair advantage obtained by businesses that do not pay their tax on time.

The impact for you and your business is that the reporting of overdue tax liabilities, above \$100,000 and over 90 days old, will now be reported to credit reporting bureaus, and once reported, the nature of the liability and non or late payment will adversely affect your credit rating, making

it more difficult and more costly to obtain finance and credit.

If, however, you are in the process of engaging with the ATO to manage a tax debt or taking action in accordance with the law to dispute the debt, that tax debt will not be included in the above.

It has never been more important to ensure that your cash flow and ability to meet ATO payments are monitored and managed effectively, this can be done by:

- Ensuring that your regular management accounts are up to date, and reviewed regularly e.g. monthly;
- Having a good weekly, fortnightly and monthly cash flow projection, and planning tool;
- Having a budget;
- Preparing a three-way forecast, forecasting your profit, balance sheet and cash flow;
- Monitoring and reviewing your accounts receivable, and reviewing your accounts receivable terms, to assist with timely collection of accounts; and
- Plans to manage your ATO debts, including taking upfront action to enter into payment arrangements, where debt cannot be paid on time.

This measure will, however, enable you to more accurately conduct your own credit check, and risk assessment of your own customers and potential customers in order to decide payment terms or whether to engage in business with them, as it will be easier for you to discover if your potential client has unpaid tax debt, helping you in avoiding doing business with high risk of being a bad debt.

PKF is regularly engaged to provide assistance and advice, with improving cash flow, ATO debt and payment arrangement negotiations. If you would like any assistance, please get in contact with us today.





SUPERANNUATION

David Henriksen | Partner

Before investing in a large illiquid asset like real estate it is critical to consider your current and future SMSF cash flow needs.

Direct Property In An SMSF

INVESTING IN PROPERTY IS A VERY POPULAR OPTION IN AUSTRALIA. IN SOME CASES, A SELF-MANAGED SUPERANNUATION FUND (SMSF) CAN BORROW FUNDS IN ORDER TO PURCHASE ASSETS IT DOESN'T CURRENTLY HAVE THE CASH TO PURCHASE OUTRIGHT. IN OTHER CASES, THE SMSF HAS SUFFICIENT FUNDS TO BUY A PROPERTY AS WELL.

Why some people decide to invest in property

Some of the key factors that have influenced our clients to invest in property over other investment options include:

- Having a bad experience with the share market, many now prefer “bricks and mortar” investments.
- Some have built a strong property portfolio over time and believe they know this market well enough to make sound investment decisions on new properties. They expect these investments to achieve strong capital growth and/or deliver good rental yield. Many feel that investing in shares is a foreign concept and prefer to stick to what they know.
- The volatility of the property market is more manageable than that of shares and managed investments.
- Many business owners prefer to own their own premises and pay rent back to their SMSF rather than to a landlord.

While the examples above might not necessarily be based on sound investment strategies, it is nonetheless the reality of why business owners and individuals choose property in some cases. We have certainly observed some great returns on commercial and residential property investments, but property can't be touted as the be-all and end-all of a sound investment strategy. We have also seen several examples of people losing money on commercial and residential properties.

Considerations and warnings

Before investing in a large illiquid asset like real estate it is critical to consider your current and future SMSF cash flow needs. If an SMSF doesn't, or won't in the future, have sufficient cash to pay pensions or pay annual operating costs and property expenses including loan repayments then this type of investment would not be prudent.

The initial upfront costs with large property are also high when you consider legal costs, stamp duty, possible lending costs and ongoing interest costs if borrowing to buy a property. Comparing this to a portfolio of shares, even if under advice, the share portfolio usually has a lower entry cost. If things don't go well it is much easier to sell some or all of the shares compared to an underperforming property which due to the underperformance may be hard to sell.



“Another factor to consider is lack of diversification, risk driven by holding the majority of your wealth in one significant asset.”

Another factor to consider is lack of diversification, risk driven by holding the majority of your wealth in one significant asset. If the property value decreases due to a downturn which we have seen occur in the last 12 months in many cities in Australia or is vacant for a significant period of time, then a more diverse portfolio or even cash could have been performing better.

This is just a brief overview and there are many factors that should be managed and considered to ensure no superannuation legislation is breached. It cannot be stressed enough the importance of obtaining advice before entering into any transactions. This article is not intended to be advice that should be solely relied upon as it in no way considers your individual circumstances.

If you have more questions after reading this article or have an SMSF and want to talk further please contact PKF Sydney & Newcastle on (02) 4962 2688 or email super@pkf.com.au and one of the team will contact you to assist and further.

Fortunately, the alternative view of the future sees our country leveraging off our strong economic base, creating an economic and tax environment that stimulates.



Partner | Nick Falzon

SYDNEY BUSINESS ADVISORY



Have All Australians Become Frogs?

DOES ANYONE REMEMBER THE FABLE OF A FROG BEING BOILED SLOWLY? A FROG DROPPED IN BOILING WATER WOULD HOP STRAIGHT OUT BUT IF YOU PUT THE FROG IN COOL WATER AND WARMED IT GENTLY THE POOR LITTLE FROG WOULD BOIL TO DEATH.

The current government's personal and corporate tax cuts with corresponding reductions in spending are sensible and were enough to get the government reinstated but to maintain our quality of life Australia needs an efficient, modern and effective tax regime. This needs a thoughtful, innovative approach from government and, with a majority in the lower house, the Coalition government can realistically look to pursue this.

The alternative I fear is a slow boil where a perceived level of comfort leads to no real action, no risks taken but no improvements made in our tax system and by the time we all see the danger it may be too late. Without ongoing, genuine

reform our tax base will erode, our workforce will not have the skills that are valued in this century, multinational companies will not base significant operations here and the next generation of Australian companies will not be developed. All in all this group of frogs will boil and may not notice the trouble until it is too late.

Fortunately, the alternative view of the future sees our country leveraging off our strong economic base, creating an economic and tax environment that stimulates. This sees the nation utilising our incredible Human Resources and continuing to punch well above our weight internationally. All resulting in this continuing to be the best place on Earth to live and work.

To discuss your business strategy with a PKF adviser call Sydney on (02) 8346 6000 or Newcastle on (02) 4962 2688.

"...to maintain our quality of life Australia needs an efficient, modern and effective tax regime."



PKF Sydney Race Day

PKF ENTERTAINED 165 GUESTS COMPRISING CLIENTS, REFERRERS AND THE PKF TEAM AT CANTERBURY PARK ON WEDNESDAY, 24 JULY.

The sun was out, the course was in great order and the friendly staff of the ATC ensured our guests were well fed and well-watered. The infamous Punters Club was back again and it's safe to say they'll be back next year too!



PKF's EOFY Ball

THE END OF FINANCIAL YEAR IS A BIG DEAL IN THE CORPORATE WORLD. AS EVERYONE BEMOANS THE COMING OF TAX TIME (EXCEPT FOR US OF COURSE) BUSINESSES ARE BUSY REFLECTING ON THE PAST 12 MONTHS AND SETTING THE AGENDA FOR THE NEXT 12.

End of financial year functions come in all shapes and sizes, and for PKF it means a time for teams to get together, dress up, celebrate achievements and be congratulated for their hard work.

And we did exactly that! As usual, everyone looked amazing and a huge congrats to our wonderful Employee of the Year, Josie McEnallay!

Josie epitomises everything that PKF stands for and it is fantastic to know she is upholding the PKF values of passion, teamwork, clarity, quality and integrity with such pride.



Employee of the Year, Josie McEnallay!





You will no longer have to give your employees a payment summary for the information you've reported and finalised through Single Touch Payroll.

TAXATION

Iain Spittal | Partner

Employer Tax Update

EMPLOYERS FACE ONGOING CHALLENGES WITH COMPLYING WITH THE VARIOUS OBLIGATIONS IMPOSED BY THE TAX SYSTEM. VARIOUS CHANGES HAVE BEEN IMPLEMENTED OR ANNOUNCED RECENTLY ACROSS A RANGE OF EMPLOYER OBLIGATIONS WHICH ARE EXPLAINED IN MORE DETAIL BELOW.



Single Touch Payroll

Single Touch Payroll (STP) reporting is now required for all businesses regardless of size.

Most accounting and payroll solutions are now offering compliance with the STP requirements.

From a practical perspective, the adoption of STP means that:

- You will run your payroll (with no change in pay cycle), pay your employees as normal, and give them a payslip.

- Your STP-enabled payroll software should send a report to the Australian Taxation Office (ATO) covering information such as salaries and wages, Pay As You Go (PAYG) withholding and super information.
- Super funds are also reporting to the ATO to let them know when you make the payment to your employees' chosen or default fund. With this information, the ATO will have much greater visibility to ensure that employees are paid their correct entitlements on a timely basis.
- ATO systems will match the STP information to employer and employee records.
- Your employees will be able to see their year-to-date tax and super information in ATO online services, which can only be accessed through myGov. Their data is updated every time you report (each pay day for most employers). Without STP reporting, employee data is only reported at the end of the financial year.
- At the end of the financial year, you'll need to finalise your STP data. This is a declaration to the Commissioner of Taxation to state you have completed your reporting for the financial year.

ATO Change Alert

This is bound to cause confusion amongst employees, you will no longer have to give your employees a payment summary for the information you've reported and finalised through STP. Once you finalise your data, your employees or their registered agent will be able to lodge their income tax return using the STP information available in ATO online services.





- You will also no longer need to provide the ATO with a payment summary annual report at the end of the financial year for the payments you report through STP.



FBT – Uber travel

The ATO has recently advised that they do not consider Uber travel as taxi travel. This means that the Fringe Benefits Tax (FBT) exemption available that is otherwise available on taxi travel from home to work or vice versa is not available when the relevant journeys are undertaken in an Uber (or via another ride-sharing platform). Consideration will need to be given to use of other exemptions (e.g. otherwise deductible or minor and infrequent) to exempt such travel from FBT. Employers will also need to consider how to record and distinguish between Uber and taxi travel for record keeping purposes. This ATO guidance does appear inconsistent with their approach to other tax issues affecting Uber drivers (e.g. GST registration) so their position on this should be monitored.



FBT – Home phone and internet

The ATO has updated its FBT guide for employers in relation to the taxable value of fringe benefits related to home phone and internet expenses and the evidence required to support the claim. In brief, the ATO expects that where the employer reimburses an employee's home or internet costs, in order to reduce the taxable value of the benefit, both the employer and employee will need to keep records of the actual expenses and the employee will need to provide a declaration detailing the percentage of business use and the purpose of incurring the expense.



Administrative changes to payroll tax in NSW

The NSW State Government has made some administrative changes to the payroll tax process in an attempt to reduce the compliance burden on NSW businesses. Accordingly, from 1 July 2019:

- NSW businesses with an annual payroll tax liability of up to \$20,000 will only be required to make an annual

“You will also no longer need to provide the ATO with a payment summary annual report at the end of the financial year for the payments you report through STP.”

payment and lodge an annual payroll tax return and reconciliation.

- Businesses with a liability greater than \$20,000 and up to \$150,000 may make automatic monthly payments of a fixed amount but need only provide an annual return and reconciliation.
- Businesses with payroll liabilities above \$150,000 will continue to pay monthly and make monthly lodgements, with an annual reconciliation.

For more information, please contact our expert Tax team on (02) 8346 6000.





SMEs create innovative solutions to problems, care about service, pay their taxes and small business alone provides almost 4.8 million jobs for the community. Isn't it fair that the rewards include more money and more free time for the owner?

NEWCASTLE BUSINESS ADVISORY

Chad Russell | Partner

Why Are You In Business And Are You Seeing The Rewards?

Most business owners went into business for one of the following reasons:

- | | | | |
|---|----------------------|---|---------------------------------------|
| 1 | Make more money; | 3 | Be their own boss; or |
| 2 | Have more free time; | 4 | They thought they could do it better. |

Sometimes the latter is true and maybe they are a better boss, but how are the first two going?

Going into business is hard work. Most businesses start small but are wonderful for the economy. SMEs create innovative solutions to problems, care about service, pay their taxes and small business alone provides almost 4.8 million jobs for the community. Isn't it fair that the rewards include more money and more free time for the owner?

Many reports will tell you that most small businesses will fail in their first three years but surviving that doesn't guarantee success. Businesses might start well but then as they grow, things start to get hard in that period of scaling up (which tends

to repeat itself). The business gets bigger and needs more staff, more customers, more products, more processes, more funding etc. but does the founder have more time? Not usually. Are they making more money? Sometimes, but does it reflect the effort, the risk or the true value provided to the community?

Einstein noted, "we cannot solve our problems with the same thinking we used when we created them", so when you start to feel like it's too hard or you're not getting the rewards you're after, it's often time for a reset – these are the five steps to follow:

- 1 **Start with a blank page (or whiteboard).** Reconsider your goals and remind yourself of why you are running your own business. Only when you are clear on your "why" can you move to the next step.
- 2 **Build a new strategy.** Where are you now, where do you want to be and how are you going to get there? Don't focus solely on the numbers, use a balanced scorecard approach which covers systems and processes, customers, people and financial. Involve your key people and if you are running a facilitated process, make sure you choose a facilitator that will challenge you and get you out of your comfort zone.
- 3 This is the most important – **implement your strategy.** So many great ideas never come to fruition and rewards are not realised because somebody didn't do what they said they were going to do – they didn't implement. Strategic plans and strategic planning sessions can be a waste of time and money if implementation of strategic actions doesn't get to the top of the priority list. Usually, it's because we get busy (excuse) and it's easier to just do what we did yesterday and live in our comfort zone.
- 4 **Stay accountable.** Share your plan and actions with someone who will hold you accountable and check in with them frequently to stay on track.
- 5 It's important to remember that **strategy is not "set and forget"**. To remain relevant, your strategy needs to be constantly evolving. Revisit the plan at least annually.

If you're not getting what you want out of your business, then maybe this is your trigger to get started. SME owners provide a great service to the community and deserve to be rewarded.

PKF is regularly engaged to assist with design and facilitation of strategic planning sessions, maintain action plans and sit on advisory boards. We work with many growing businesses and understand what drives success. If you would like help with anything above, let us know.

Chad is a Partner of PKF with more than 15 years of experience in accounting and business advisory. To get in touch with Chad, please call (02) 4962 2688.



Leaders In Sports Facilities Management — SSMG

SYDNEY SPORTS MANAGEMENT GROUP (SSMG) IS AN ESTABLISHED, PRIVATELY-OWNED AUSTRALIAN SPECIALIST FACILITIES MANAGEMENT COMPANY WITH OVER 20 YEARS OF EXPERIENCE OWNING AND SUCCESSFULLY MANAGING A VARIETY OF LEISURE AND SPORTING CENTRES. IN THE LAST YEAR, SSMG HAS UNDERGONE SUBSTANTIAL CHANGE AND GROWTH – FROM ITS FIRST VENTURE AT NORTH RYDE'S TENNIS WORLD IT HAS EVOLVED AND EXPANDED INTO GOLF, HEALTH AND FITNESS AND CAFÉ OPERATIONS.

Over the years SSMG has strategically moved to expand its field of operations through offering its skills and expertise in the form of management systems and best practice program delivery across schools and local government. This move has been extremely successful with SSMG now firmly established as the largest operator of tennis facilities in NSW.

SSMG's corporate culture is strongly influenced by a belief in the personal and community benefits of healthy active leisure pursuits. While as a family business there is a strong commercial focus, it also recognises the need to balance this with both social and environmental considerations. There are now eight separate facilities around Sydney after recently securing a much sought after tender.

SSMG was successful in winning the tender for the new \$6 million Heffron Park Tennis Centre in Sydney's south-east, a joint government/council initiative that has provided the area with an outstanding facility. The centre, which forms part of a larger sporting hub, includes an acrylic surface Show Court,



■ SSMG Tennis Kids participating at the 2018 Sydney International.

along with nine synthetic and turf courts along with a clubhouse incorporating kiosk and changing facilities. SSMG has been appointed to run the centre as part of a 5 + 5 year lease arrangement.

Richard Price, CEO of SSMG and a local resident, says that "SSMG's vision is to create a community hub which maximises usage of this important community asset. With more people hitting more balls, we hope to see the next Ash Barty come from this impressive facility".

SSMG is a proven business partner, committed to building long-term relationships with Government and business at all levels. It currently partners with City of Sydney, Randwick Council, Lane Cove Council, Willoughby Council, Ryde Council and North Sydney Council, along with over 100 schools – and of course PKF.

PKF Sydney's head of Business Advisory Services, Bob Bell, is heavily involved not only with the accounting side of SSMG but also in decision making and strategy. Bob says "the owner and Managing Director of SSMG, Scott Riley,



is very hands on in all of his businesses. He actively and regularly engages with his professional advisers on a range of issues such as acquisitions, divestments, business structure, succession planning and so on. Scott and I speak almost on a daily basis as there is always something to discuss."

SSMG continues to innovate and will launch Australia's largest Padel facility in September at North Ryde. Padel is currently the fastest growing sport in Spain and has been likened to 'tennis with walls' and 'squash in the sun'.

Stay tuned, no doubt there'll be another innovation coming soon!

Take 5 with... Daniel Smith

PKF BUSINESS ADVISORY SERVICES DIRECTOR

Q What was your first job?

A I was the AM assistant at a Bait & Tackle shop / corner store.

Q If you could have dinner with one person, dead or alive, who would it be and where would you take them?

A Jerry Seinfeld, could go anywhere, I'm not sure I could focus on the meal as I would be too busy laughing.

Q Name three words to describe to yourself.

A Focused, reliable and loyal.

Q What do you love most about your job?

A Helping people, working with a variety of people.

Q Finish this sentence – if I wasn't a Director, I would be...?

A A chef.



Tax Diary

OCTOBER 2019

- 21** Due date for lodgement and payment of September 2019 monthly BAS and IAS.
- 21** Due date for payment of annual PAYG instalment notice.
- 28** Last day for payment of quarter 1, 2019-20 employee superannuation guarantee contributions.
Due date for lodgement and payment of quarter 1, 2019-20 activity statement – paper lodgements or varied instalments.
- 31** Due date for lodgement of June 2019 returns by individuals, trusts and partnerships if not lodged by a tax agent or where prior year returns were outstanding as at 30 June 2019.
Final date to appoint a tax agent for income tax and obtain ATO lodgement concessions.
- 31** Due date for lodgement of PAYG withholding annual reports including withholding from interest, dividend and royalty payments paid to non-residents.

NOVEMBER 2019

- 21** Due date for lodgement and payment of October 2019 monthly BAS.
- 25** Due date for lodgement and payment of Quarter 1, 2019-20 activity statement – electronic lodgement.

DECEMBER 2019

- 01** Due date for payment of income tax for large/medium taxpayers, companies and super funds. Lodgement of return due 15 January 2020.
Due date for payment of Income tax for the taxable head company of a consolidated group with a member deemed to be a large/medium taxpayer in the latest year lodged. Lodgement of return due 15 January 2020.

Contact Us

Sydney
T. 02 8346 6000

Melbourne
T. 03 9679 2222

Brisbane
T. 07 3839 9733

Perth
T. 08 9426 8999

Adelaide
T. 08 8373 5588

Gold Coast
T. 07 5553 1000

Newcastle
T. 02 4962 2688

Canberra
T. 02 6257 7500

Hobart
T. 03 6231 9233

Rockhampton
T. 07 4927 2744

Tamworth
T. 02 6768 4500

Walcha
T. 02 6777 2377

Central Coast
T. 02 4367 8955

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