



NEWSLETTER | APRIL 2016

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## JOHNSONS MME LAKE HUME CYCLE CHALLENGE ATTRACTS RECORD ENTRIES



*246 riders in the 131km Granya Grind take off from Noreuil Park, Albury.*

The 16th annual Johnsons MME Lake Hume Cycle Challenge attracted record entries and perfect weather on Saturday, February 27. Over 730 riders took part; a 25% increase on the previous year's event.

"This is the first year that Johnsons MME has sponsored the event and we were delighted to partner with other local businesses such as Jayco Albury Wodonga to assist the Rotary Club of Bellbridge-Lake Hume with organisation and to ensure it's continued growth and success," said Rod Mullavey, Partner with Johnsons MME.

As part of fund raising efforts for the Albury Wodonga Regional Cancer Centre, Johnsons MME also ran the Corporate Challenge which raised over \$6,500. Teams from Rivalea, Mars Petcare, Norske Skog, Vantage Fuels, Lunch on Sunday, Drummond Real Estate, Albury City Council, Twin City Truck Centre and Jayco Albury Wodonga participated, with Jayco taking out the winner's trophy for the most funds raised.

One participant from Sydney exclaimed, "We rank it above the Amy Gillette Gran Fondo on the Great Ocean Road....deserves to get the reputation as the best regional ride in NSW."

Johnsons MME has agreed to support the ride for the next two years.

# TAKE CARE WITH CAR FRINGE BENEFITS

*with Danny Salmon - Associate, Business Services*



The Fringe Benefits Tax year ends on 31 March. It is around this time that we contact our clients seeking information to assist with compliance of any fringe benefits tax obligations.

The whole discussion on fringe benefits is sometimes enough to make one's eyes glaze over. But beware - the Australian Taxation Office (ATO) has been active in this area in recent times, so now is the time to ensure you have your own house in order.

A fringe benefit is broadly defined as some form of extra benefit to supplement an employee's salary or wage. It includes (but is not limited to) the paying of personal expenses on behalf of an employee (for example their telephone account and/or electricity account), as well as the provision of things like a car.

Car fringe benefits are a particularly tricky area because what is defined as a "car" for fringe benefits

tax purposes is not as straightforward as one might think - particularly when you start talking about the private use (or being available for private use) of cars. The whole area of car fringe benefits is an area that the ATO are really starting to do some serious work in.

An employer will make the provision of a car fringe benefit if it makes a car available for the private use of an employee. It doesn't matter that the car may not in fact be used for private use; the fact that it is "available" to be used is enough to catch you out. If you operate from commercial business premises and the car is garaged there, then you are likely to be fine. However allowing them to garage the vehicle at home and drive from home to work (even if that is all they do) will put you in FBT territory.

The ATO are using more sophisticated means of determining if

people are complying with the tax laws such as obtaining vehicle registration data from State motor vehicle registry offices, cross referencing with vehicle purchase data, using Google Maps and Google Earth to quickly check out an employer's business premises to see if vehicles could in fact be housed overnight on the business premises. And the word is the ATO are winning!

So with the FBT year coming to an end, now is a good time to review your records and with the assistance of your taxation advisor, ensure that you are meeting your obligations under the law. In many instances, keeping a log book for the use of an employer provided car could save thousands in tax.

## THE NATURE OF FRAUD *with*

*Hugh McKenzie-McHarg - Partner, Audit & Assurance*



Unfortunately we are often engaged to investigate a fraudulent event which, in some cases, has placed the business under significant financial stress.

Fraud is usually committed by trusted individuals with no known previous criminal history. In most fraud cases three key elements (known as the "fraud triangle") are likely to be present in an environment where fraud occurs. These are:

- **Motivation** - While a small minority of people are psychologically predisposed to, and motivated to search for fraud opportunities, most frauds are motivated by some issue in a person's life such as gambling, an alcohol or drug habit, illness of a family member, or the job loss of a partner, which may have placed that person in a position of need;
- **Rationalisation** - People will justify their actions by such ratio-

nalizations as intention to make restitution, feelings of overwork or lack of appreciation of effort;

- **Opportunity** - Weak or ineffective internal control processes lead people to believe a fraud will not be detected.

While organisations cannot significantly influence people's motivations, they can influence people's propensity to commit a fraudulent act by developing and maintaining a highly ethical and supportive culture that appropriately recognises and rewards effort. The best deterrent to fraud however, is the maintenance of a Fraud Management Plan supported by fraud risk identification and internal control processes that reduce the opportunities for fraudulent activities to acceptable levels.

The key elements of a Fraud Management Plan are:

- **Communication of Intent** - supported by a formal Fraud Policy

and Code of Conduct;

- **Identifying Risks** - a formal fraud risk identification process to identify and assess the key fraud risks;
- **Limiting Opportunities** - developing and implementing formal control procedures to mitigate the identified risks;
- **Raising Awareness** - regular communication that ensures all staff are aware of their responsibility to be alert to fraud risk and understand that fraud will not be tolerated;

- **Monitoring** - regular monitoring of the effectiveness of the plan by senior management.

A well developed and implemented Fraud Management Plan is likely to significantly reduce a business's exposure to the risk of fraud.

# CURRENCY WARS

with **Cameron Diffey - Director, Financial Advisory**



The Australian dollar has risen 10% in 2016 to date, countering the strong downtrend that commenced in April 2013. The Reserve Bank of Australia (RBA) is comfortable with a lower \$A in order to keep interest rates steady, and to restore competitiveness to sectors of the economy that need to provide jobs and production, now that the resources boom and associated capital investment is over. They call it rebalancing the economy.

One of the key factors in the global financial economy has been the rise of the \$US, and its recent consolidation phase and current downward move. The strong \$US along with ample supplies are the major reasons why commodity prices across energy, metals and grains are lower. The lower commodity prices have hurt the growth prospects of commodity exporting countries. China pegs its currency to the \$US, and as a result the Chinese currency has been strong relative to other Asian export competitors, having the effect of lowering Chinese exports, and thereby reducing demand for Chinese imports of raw materials to produce goods to export. A vicious cycle!

Japan and the European Central Bank add to the volatility of currency markets. Volatile currency markets make it more costly for business to hedge their purchases and sales, and as a result trade activity can slow, some are calling it the peak of globalisation.

The chart of the US Dollar index below illustrates the recent consolidation phase, no country wants a strong currency. The US Dollar is still regarded as a safe haven asset, it rallies in uncertain economic times and on a view of rising US interest rates. The views on fur-

ther increases in US interest rates are now mixed given some weakness in recent economic data, so markets will remain hostage to

the projection to 2 quarter point increases over 2016. US economic growth has been below average in this economic recovery phase and many don't expect the US Fed to follow through on above, prompting short term weakness in the \$US. Simply the \$US will remain strong if US interest rates increase.

If the recent rally in commodity prices holds, and prices don't resume their downward trend this would signal to the market in-



ther increases in US interest rates are now mixed given some weakness in recent economic data, so markets will remain hostage to

creased confidence that the demand side of the global economy is resilient, and lend support to the \$A.

Over last 20 years the mid-point range for the \$A is US70-80 cents. It is currently trading around US75 cents. It is difficult to forecast a scenario where the \$A trades back towards US90 cents over the coming years as the capital investment boom is over. For the \$A to trade below US65 cents we would require either a domestic or global recession, or quicker than expected increases in US interest rates which will only happen if US economic growth surprises to the upside and inflationary expectations rise.

The declining \$A over past 18 months has provided a buffer for our exporters against declining commodity prices, has boosted domestic tourism, and has provided some relief for our manufacturing sector.

*\*Charts courtesy of Fuller Treacy Money (UK)*



The stronger \$US has now started to hit the profits of the large multi-national companies listed in the US, providing a headwind for the US sharemarket. The various policy initiatives from the Bank of

the commentary and actions from central banks.

The US Federal Reserve had projected 4 quarter point rate rises over 2016, increasing the US Fed Funds base rate from 0.50% to 1.50%. They have recently revised

# ARE YOU CLAIMING? NSW JOBS ACTION PLAN REBATE & SMALL BUSINESS GRANT

*with Paul Goonan, Business Services*



No one likes payroll tax but those clients who are over the threshold (\$750,000 for 2015/16) will be interested to hear that late last year the NSW Government quietly changed the eligibility of the Jobs Action Plan Rebate Scheme to include any new employee in a business as long as they increased the total FTE in a business.

The 'Jobs Action Plan' was launched in 2013 where businesses that were paying payroll tax and employed new workers in new eligible roles could receive a rebate of \$4,000. The scheme has been extended by a further 4 years to 30 June 2019 and the rebate increased from \$4,000 to \$5,000 for new jobs created after 1 July 2013.

There are a number of criteria that the employer must satisfy in order to successfully claim the rebate such as:

- The role must be full time, part time or casual.
- The employment must have commenced on or after 1 July 2011.
- The employment must be maintained for a period of at least two years.

- The services of the employee must be performed wholly or mainly in NSW.
- The person in the role must not have been employed by the employer in the previous 12 months.

Employers must register for the scheme within 90 days of the new role being filled and the wages must be taxable and subject to NSW payroll tax.

A new role is created if the number of your FTE increases and that FTE is maintained over a 2 year period from the date of the creation of the new position. The Chief Commissioner reserves the right not to pay the rebate if your FTE falls below the required number for more than 30 days.

There are certain types of employment that are excluded from the rebate such as if any wages paid by the employer to the person are not subject to payroll tax under the nexus provisions, if the employer is already claiming an apprentice/trainee rebate or if the employer is a public, local or municipal authority.

If you think you might be eligible for a rebate, our tax specialists can help you determine your eligibility.

If your business does not have a payroll tax liability and you create a new role for a new person, you might be eligible for a Small Business Grant of \$1,000.

To qualify, you need an active ABN and have employed a new person in a new job which commences on or after 1 July 2015 and before 1 July 2019. The employment must be maintained for a period of 12 months, the services of the person must be wholly or mainly performed in NSW and your number of FTE employees must be increased and this increase maintained over the 12 month period.

If you are the recipient of a NSW Govt grant which relates to the employment of the new person, you will not be able to claim an additional grant under the scheme.



## CONTRACTOR VS EMPLOYEE - WHAT IS THE DIFFERENCE?

*with Stephen Clarke, Partner - Audit & Assurance*

Under the Fair Work Act 2009 there are serious penalties for employers using sham contracting arrangements to escape the

various commitments of actually employing staff. But what triggers a relationship to be one or the other?

There are a number of factors that should be taken into consideration such as:

- Control - How much control the person has over his work - do they work under supervision?
- Hours of work - Are hours standard or does the person have control, de-

termining how many hours to complete a specific task?

- Expectation of work - Is work ongoing or is the engagement for a specific task?
- Who bears the risk - Does the person bear the financial risk of his work or is this born by the employer?
- Who pays the workers compensation insurance?
- Who supplies the tools and equipment?
- Tax - Does the person pay their own tax or is income tax deducted by the employer?
- Is the person paid regularly or do they submit an invoice with their own ABN?
- Leave - Are they entitled to leave?

- Who pays the superannuation?

There are serious penalties under the Act where an employer tries to pass off an independent contractor arrangement for that of an employee relationship. An employer cannot misrepresent a relationship, nor can they dismiss or even threaten to dismiss an employee to then engage them as an independent contractor. An employer cannot knowingly make a false statement to influence an employee to become an independent contractor.

The recourse is through the Fair Work Ombudsman for disgruntled parties who feel they have been unfairly treated. If you are not sure, we can help you to gain clarity around the issue.