UP2Date

Only you know what you are worth!

An important aspect of running a successful small business is knowing your worth and ensuring that potential customers understand this. As the owner, you are the only one who truly understands the value of your products and services, the time and effort you put into your work, and the unique value proposition you offer to your customers. But this will be a mystery to your potential customers if you don’t express it clearly to them.

Small business owners can fall into the trap of assuming their customers will automatically recognise the value they bring to the table, or they are too modest to make a clear value proposition. After all, we shouldn’t boast, should we?

But here's the thing: your customers are not mind readers. They don't know how much you're worth unless you tell them. And if you don't tell them, they may assume that your prices are too high or that your products and services are not worth the investment. So, how do you communicate your worth to your customers?

First, be confident in your prices. Don't be afraid to charge what you're worth. You put a lot of time, effort, and resources into your business, and you deserve to be compensated accordingly. If you're not confident in your prices, your customers won't be either. Be clear and upfront about your pricing and be prepared to explain why your prices are what they are.

Second, highlight your unique value proposition. What sets you apart from your competitors? What makes your products or services different or better? Make sure your customers know what they're getting when they do business with you. Showcase your strengths and explain how your products or services can solve your customers' problems or meet their needs.

Third, don't be afraid to share your success stories. Have you helped a customer achieve a significant goal or overcome a major obstacle? Have you won awards or received recognition for your work? Share these stories with your customers. They help build credibility and demonstrate the value you bring to the table.

Finally, ask for feedback from your customers. What do they value most about your products or services? What could you do better? Use this feedback to improve your business and to better communicate your worth to your customers.

As a small business owner, you are the only one who truly understands your worth. But it's up to you to communicate that worth to your customers.

FBT year end is coming

The FBT year ends on 31 March, so you need to make sure you have all the necessary records in place.

The most important documents you need to have in place are the necessary employee declarations. There are many different types of declarations. You can find a list by going to www.ato.gov.au/Forms/Employee-Declaration/. Here are some of the employee declarations:

- Expense payment benefit declaration (NAT 74958) – in this document an employee declares that he or she has received this type of benefit and the percentage of the benefit that relates to the earning of the employee's income.

- No private use expense payment benefit declaration (NAT 75083) – similar to the above document except that the employee declares all of the expense relates to the earning of the employee's income.

- Living away from home declaration (NAT 74715) – this applies to an employee that is being paid a living away from home allowance. The employee declares amounts in relation to accommodation and food and drink.

- Living away from home declaration (NAT 74716) – this also applies to an employee that is being paid a living away from home allowance. The employee declares that either they or their spouse have an ownership interest in a unit of accommodation in Australia.

- Property fringe benefit declaration (NAT 75086) – this is where an employee is given something (not just real property) by their employer. For example, the employee might be given a new television. The employee declares that if he or she had purchased the property for its market value they would have been entitled to a certain percentage of the cost as a tax deduction (if applicable).

- Declaration of car travel to a work-related medical examination, medical screening, preventative health care, counselling, or migrant language training (NAT 75078).

The NAT reference is to the ATO document number.

How to make employee declarations

You can download paper forms from the website mentioned above and have the employee fill out and sign the declaration.

You can also receive employee declarations electronically; however, the declaration must be signed by the employee using an electronic signature. If you want to use this method, the ATO requires both:

- You, as employer, consented to the method of electronic signature; and

- The electronic declaration, in order to determine your FBT liability, is readily accessible and understandable, and convertible into written English.

You must obtain all employee declarations no later than the day on which your FBT return is due to be lodged. If you don't have to lodge a return, you must have the employee declarations by 21 May. The declarations are not sent to the ATO. They are just kept in your records.

Car fringe benefits

If you use the statutory method of calculating the FBT payable on a car, you do not need to maintain odometer records as a flat 20% applies to all car fringe benefits regardless of the distance travelled.

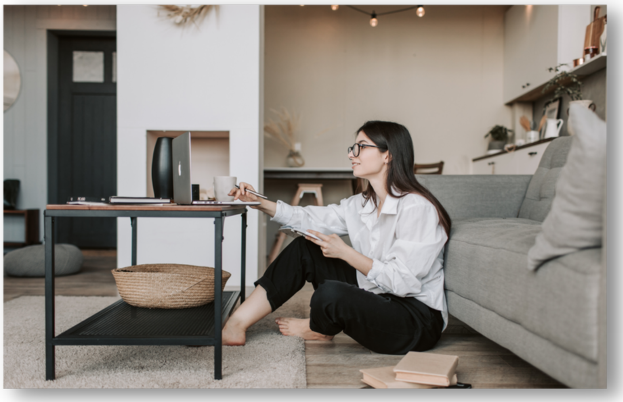
If the operating cost method of calculating the FBT payable on a car is used, a log book showing the usage of the vehicle needs to be kept for a continuous 12-week period. The percentage of business use determined from this 12-week period is then used in the operating cost method formula. The 12-week log book needs to be maintained every five years. If a car is replaced with another car, the log book records for the replaced car can continue to be used for the new vehicle.

If you have provided an employee with an electric vehicle that was first owned and used after 30 June 2022, it is likely to be exempt from FBT. However, the value of the vehicle still needs to be recorded for the purposes of reportable fringe benefits provided to the employee.

Need help?

If you need help with knowing what to have ready for the end of the FBT year and any questions about FBT, please contact us.

Working from home guidance finalised



The Tax Office recently finalised its guidance on a new method of claiming deductions for working from home. The new method is known as the "revised fixed-rate method".

For the current year of income, and future years of income, there are now two methods that can be used to claim working from home deductions. These are the actual expenses method and the new revised fixed-rate method. The previously used 80 cents per hour and 52 cents per hour methods have been abolished.

The actual expenses method allows you to claim a proportion of the actual expenses that you incur in running your home. You must have a place in your home set aside exclusively for the purpose of your work. Usually, you claim a portion of the total running expenses based on the floor area of your home office as compared to the rest of the house.

The new method

If you don't want to use the actual expenses method, you can use the new revised fixed-rate method. This enables you to claim for energy, internet, telephone (including mobile phone), stationery and computer consumables. You multiply the number of hours you worked from home by 67 cents per hour to calculate your deduction. In addition, you can claim a deduction for depreciation of assets (for example, office furniture and computers) based on the actual cost of the asset. Also, you can claim for any types of expenses that are not covered by the 67 cents per hour method.

You do not need a dedicated work area at your home to use the revised fixed-rate method. Also, more than one person in the same house can use this method.

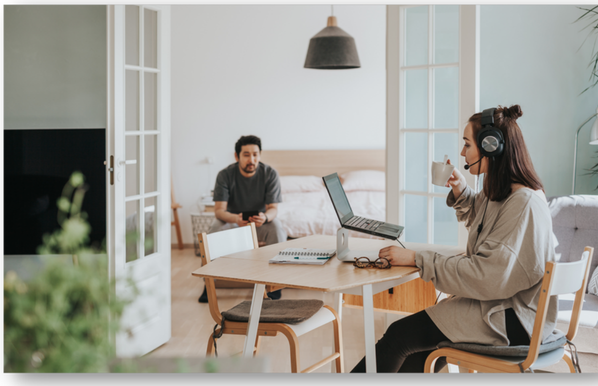
New records required from 1 March 2023

Frustratingly, the ATO has introduced a new record keeping requirement relating to the hours you work from home. This applies for hours you work at home on or after 1 March 2023.

So, for the year ended 30 June 2023 only, an individual wanting to use the revised fixed-rate method needs to keep:

- A record which is representative of the total number of hours worked from home during the period from 1 July 2022 to 28 February 2023; and
- A record of the total number of actual hours the individual worked from home for the period 1 March 2023 to 30 June 2023.

With regard to the last four months of this financial year, **an estimate of the hours will not be accepted by the ATO**. This means that the individual is required to keep daily records of the hours they have worked at home. The recording of actual hours worked at home will be necessary for future years of income.



Other records

If you want to use the revised fixed-rate method you also need to keep one document per year that supports the fact you incur the types of expenses covered by that method. For example, if you receive a monthly invoice for your internet expenses, you must keep one of those invoices as proof that you actually incur the expense.

Invoice in one person's name

If expenses are shared in a house and you want to use the revised fixed-rate method, but the invoice is in one person's name and the others contribute to the expense, those making the contributions will need to have a method of proving they have incurred the expense. This could be by a payment from a joint bank account, or a receipt given from one household member to another.

4-week log

Where you want to claim depreciation for an asset that you have purchased, the ATO requires you to keep a 4-week diary log of your use of the asset. This is for the purpose of determining to what extent you use the asset to earn your income.

For example, you may have purchased a computer mainly for work. However, you also use it for entertainment purposes. The Tax Office requires you to keep a continuous 4-week log of the use of the computer for income producing purposes and other purposes.

Just note, that if you acquire an asset that does not cost more than $300 and you use that asset predominantly for producing your income (but not from a business) you can claim the total cost of the asset without the need to keep the four-week log.

Superannuation tax change

$$3,300,000,000,000 (that's $3.3 trillion). This was the amount of money in the Australian superannuation system at the end of September 2022 – and that was only APRA funds. Australia's pool of superannuation assets is now one of the largest in the world, and the fourth largest in the OECD.

All that money also adds up to a lot of tax concessions - $50 billion per year according to the latest figures from the Treasury. So, something had to give – and it did!

On 28 February the Treasurer, Dr Jim Chalmers, announced that from 1 July 2025, the tax rate to be applied to future earnings on superannuation balances above $3 million will be 30% instead of 15%. This change is expected to generate revenue of about $2 billion in its first full year of operation.

According to the press release, this will affect about 80,000 people, being about 0.5 per cent of people with superannuation savings.

There had been some discussion about whether a cap would be placed on the amount of superannuation that an individual could hold in superannuation. The Government has decided not to impose any type of cap.

Objective of superannuation

The tax change comes just after the Treasury released a consultation paper on a proposal to legislate the objective of superannuation. The paper seeks comments on the proposal to cement in legislation the overall purpose of superannuation with the view to future governments not changing that purpose.

The proposed objective is:

"The objective of superannuation is to preserve savings to deliver income for a dignified retirement alongside government support, in an equitable and sustainable way."

The journalist, Terry McCrann has written in "The Australian": "There's massive tax-hiking benefit-slashing wriggle room in those words 'dignified', 'equitable' and 'sustainable'." Whether this is so, remains to be seen.

Super wars re-ignited

So it seems that the policy wars concerning superannuation have been re-ignited. Those opposing any changes to the superannuation rules point to what they consider to be a promise made by the current Government while in election mode last year that there would be no changes to superannuation if the Labour Party was elected to office.

We all know that there is a big Federal Budget deficit that needs to be reined in. $3.3 trillion + (and growing) of superannuation money is very tempting to any Treasurer wanting to solve the budget deficit problem.

You should expect a heated debate over this issue in the lead up to the May 2023 Federal Budget and, in the lead up to the next federal election.

"The only way to do great work, is to love what you do"

Steve Jobs