

# TAXCONCEPTS

ACCOUNTANTS & BUSINESS ADVISORS

34 Bakery Square (PO Box 774), Melton Vic 3337

Ph: (03) 9747 0255 | Fax: (03) 9747 0233

Website: [www.taxconcepts.com.au](http://www.taxconcepts.com.au)

Email: [admin@taxconcepts.com.au](mailto:admin@taxconcepts.com.au)



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## Latest tweaks of the stage 3 tax cuts to make room for 'middle Australia'



Following years of mixed messaging, Labor has bowed to economic pressure and announced changes to its stage three tax cuts.

Only those earning less than \$150,000 will benefit from the impending tax cuts, which were originally slated to abolish the 37 per cent tax bracket applied to income between \$120,000 and \$180,000 and reduce the 32.5 per cent tax rate to 30 per cent for all incomes between \$45,000 and \$200,000.

However, with rising inflation and consequent increases to interest rates, Labor has pivoted to make room for cost-of-living ease for middle Australia, effectively scrapping the already legislated stage three rollout – something Prime Minister Albanese said he would not do going into the last election.

# Latest tweaks of the stage 3 tax cuts to make room for 'middle Australia' ....

Cont.

This means that those earning \$200,000 or more will receive a \$4,529 cut, instead of the legislated \$9,075 they were due to receive from 1 July.

Under the changes, the 19 per cent tax rate that applies to incomes between the \$18,200 tax-free threshold and \$45,000 will be lowered to 16 per cent.

Those earning between \$45,000 and \$135,000 will be taxed at 30 per cent, while the 37 per cent tax rate will be reinstated and apply to incomes between \$135,000 and \$190,000, after which the 45 per cent rate will apply.



This means that someone on \$73,000 will receive a tax cut over \$1,500, more than double the amount under the previous plan, while somebody on \$100,000 will have their tax cut increased from \$1,375 to \$2,179.

At a recent National Press Club meeting, Prime Minister Albanese said: "Our government will deliver a tax cut for every Australian taxpayer".

"This is a plan for middle Australia that delivers for every Australian taxpayer, right up and down the income ladder," he said.

The tax cuts won't hurt inflation, he said.

"This option is broadly revenue neutral and will not add to inflationary pressures," the PM cited a Treasury report and added that there are no implications for the Reserve Bank's forecasts.

"Some would say that we should stay the course, even if it means going to the wrong destination.

"To them I say, we are choosing a better way forward given the changed circumstances."

The PM also added that his government will increase the low-income threshold at which the Medicare levy applies.

According to media reports, the government plans to launch an ad campaign to help sell its obvious backflip.



Also doing the media rounds recently, Treasurer Jim Chalmers defended Labor's surprise move, noting that the government has "come to a different position" for "the best possible reason", which is "we can provide more tax relief for more people to help them with the cost-of-living".

# Updated guidance on R&D claims

The ATO has released 2 new taxpayer alerts to warn entities and their advisers of its concerns regarding incorrect Research and Development (R&D) tax incentive arrangements. These alerts are about expenditure incurred to associated entities and activities conducted overseas for foreign related entities.



We're concerned these arrangements are being used to:

- claim the R&D tax offset in situations where it would not otherwise be available, either at all or in the income year claimed by the R&D entity.
- artificially increase the amount of the R&D tax offset claimed.

The ATO recommends the reading of these alerts and consideration if business clients need to contact the ATO or make a voluntary disclosure by amending their R&D tax incentive claim.

Penalties may apply to participants of these types of arrangements. These penalties can be significantly reduced if the amendment request is treated as a voluntary disclosure. Generally, the reduction is greater if the disclosure is made before being notified of an examination of your client's tax affairs.

## About the alerts

**Taxpayer Alert TA 2023/4** Research and development activities delivered by associated entities. The ATO has identified arrangements where an entity incorrectly claims the R&D tax offset for expenditure incurred under an agreement with an associated entity who conducts those activities.

**Taxpayer Alert TA 2023/5** Research and development activities conducted overseas for foreign related entities outlines our concerns about arrangements where Australian entities claim the R&D tax offset for expenditure incurred on R&D activities conducted overseas. Arrangements of concern include where an R&D entity has purported that R&D activities were conducted for its own benefit, but those activities were instead conducted for a foreign entity that is 'connected with', or is an 'affiliate', of the R&D entity.

"We are concerned that R&D entities do not qualify for an R&D tax offset under Division 355 of the ITAA 1997 for expenditure incurred by them on R&D activities conducted overseas as the R&D activities were:

- not conducted for the R&D entity, or
- conducted to a significant extent for the foreign related entity, and that entity does not satisfy the statutory conditions for eligible R&D activities."

The ATO said penalties could apply to participants in these types of arrangements although they might be "significantly reduced if the amendment request is treated as a voluntary disclosure".



# What Drives Your Business Growth and Profits?

Every business owner wants to grow their business and their profits. While there's no secret formula or recipe, the fact is, business growth and improved profitability are outcomes achieved as a result of processes including marketing, your expertise, customer service and your team's performance.

Let's examine some of the key drivers of growth and profitability.

1. **Planning** – where do you see your business going in the future? What level of profit and growth are you targeting for next year? The definition of insanity in business is doing things the same way and expecting different results. Without a plan to achieve your targets you are just hoping all the moving parts of your business sync together. Unfortunately, hope is not a strategy that delivers growth.



What is your vision for the business and how do you plan to get there? Without a roadmap all roads lead to nowhere. Having a business plan including financial forecasts is really the start of the process because it should identify what resources you need, the equipment and finance requirements. Will you launch new products and services? To achieve the forecast growth, what level of staff will you need?

Another part of the planning process is to complete a SWOT Analysis to ascertain your business Strengths, Weaknesses, Opportunities and Threats. Nobody saw COVID-19 coming but pandemics and snap lockdowns are part of the landscape and you need a contingency plan to deal with such events. As they say, Failing to Prepare is Preparing to Fail.

2. **Technology** has been a game changer in many industries and the rate of change continues to accelerate, **just look at what AI is doing and going to do in the future.** Before the pandemic arrived a lot of business owners were contemplating some sort of digital transformation to keep up with their competitors and deliver a better customer experience. When COVID-19 arrived, remote working became an urgent priority to keep staff working. Businesses had to invest in technology to help staff transition from office-based to home-based employment and technology that was once considered a luxury became a necessity.



There's been a massive shift in our daily business habits with face-to-face meetings replaced by video calls on platforms like Zoom, Google Meet, and Microsoft Teams. Going forward, these platforms may well become the default communication method for both internal and external meetings. Travel time has been slashed also but businesses are looking to get staff back into the office. **Significant change is afoot again.**

## What Drives Your Business Growth and Profits?... Cont.

Think about what technology you need to speed up your processes, improve productivity, reduce costs and produce better products and services. The right software (local or in the cloud) can save time, help manage your inventory, reduce waste, and generate repeat business with service reminders. It can also automate your marketing efforts. Most importantly, the right digital tools and resources let you keep your finger on the pulse of the business and monitor all the key financial data.



- 3. Marketing** – Recent years have seen a significant shift in shopping habits away from retail brick-and-mortar sites such as shopping strips and centres to spending online. The rise of Amazon is ample evidence of this change. With consumers confined to their homes during COVID they became far more familiar with, and keener on, the convenience of shopping online. A trend that has continued after the pandemic. E-commerce sales exploded and this massive shift to online sales is expected to stay for a long time.



To make the most of this shift in consumer behaviour it's time to review your website and, where appropriate, make sure you have an e-commerce store to satisfy customer demand. There are quite a few examples where a business has moved entirely from a retail shop to a totally online model.

Increasing traffic to your site may be as simple as utilising the blog section of your website more effectively. Chances are there is already a blog or news section on your website but nobody is posting anything, or only rarely. If you struggle for what to write in your blog section, head to a question and answer site such as Whirlpool or Quora and find questions related to your industry, product or service and use that question as the title of your blog post and answer the question. Visitors to your site appreciate this content and it will increase the SEO attributes of your website. SEO is important when it comes to Internet searches.

Engaging with your customers in this way and, as well as using social media channels, is no longer optional with your prospects and customers living online. It's fair to say, for the majority of businesses, your marketing could be the difference between Doom, Gloom and Boom.

## What Drives Your Business Growth and Profits?... Cont.

4. **Team** – In Michael Gerber's book, *The EMyth Revisited*, a key message for business owners was the need to 'work on the business, not just in the business'. This message should resonate with every business owner and you need to create a business that works independently of you. The purpose of your life is not to serve your business, it's for the business to serve your life.

Sounds good and easy in theory and the key is finding the right people to run the operational side of the business to free you up. Experienced and trained people who can follow your systems and procedures allow you to delegate tasks you don't have to do. Rather than manning the sales desk, phones or warehouse you can spend time on the key business drivers like marketing. Wages are often the biggest expense in a business for a reason and their performance can have a massive impact on your growth and profitability. Leadership usually includes managing the team and innovating - that means providing the right tools so the team can perform their tasks in efficiently.



Running a business remains a constant work in progress. To drive better financial outcomes you need to explore ways to continuously improve your business systems and processes. This necessitates planning, the implementation of technology and, today, the adoption of digital marketing techniques. You also need the support of your staff and small improvements can have a compounding effect.

Ultimately the value of a business is linked to factors like revenue, profits and growth rate. It makes a lot of sense to focus on these areas **and if you want to discuss the key profit and growth drivers in your business we invite you to contact us today.**

**The greatest compliment we receive from our clients is the referral of their friends, family and business colleagues. Thank you for your support and trust.**

# Do you know how to recover debts?



**Beginning the year with a clean financial slate can be pivotal to your business' health.**

Clearing debts early enhances creditworthiness, reduces stress, and fosters cash flow. It also facilitates strategic planning and growth, plus sets a solid foundation for a successful year.

**Here are five steps for recovering debt:**

1. **Revisit your business terms and conditions:** these should set out what steps the debtor must take to resolve payment-related disputes. Your lawyer can help review this for you.
2. **Follow up:** remind the debtor via email or phone of the amount due.
3. **Send a letter of demand:** request the debtor pay the outstanding balance.
4. **Negotiate with the debtor:** before going to court, your lawyer will first try to resolve the dispute.
5. **Go to court:** commence a legal claim against the debtor.





Some other actions if you need to go further:

## Issue a Letter of Demand

The first stage in the debt collection process is usually to issue a letter of demand. This is a formal letter requesting payment of a debt. It sets out the specific amount owed and the period in which the debtor can make payment before you take further legal action.

Sometimes, issuing a letter of demand can result in the parties entering into negotiations concerning the debt payment. If parties reach an agreed payment plan, they can enter a binding settlement deed outlining the agreed proposal. This payment plan can be in full or instalments.

A formal letter can encourage a creditor to promptly take action. However, there is always some level of risk that a debtor may ignore the letter or raise a dispute concerning the debt. **One payment officer in a company was heard to brag once that they had ways to delay a payment for almost a year if they had to.**

## Going to court

Going to court to recover a debt is intimidating, expensive and time-consuming. Therefore, you should think carefully before embarking on this final stage of the debt recovery process, especially if you have not exhausted your alternative options for getting paid. This article outlines what you should consider before filing your statement of claim.

- **Consider Whether Your Debtor Can Pay**  
Even if you have a strong claim, if your debtor has no means to pay, you may get little from starting a lawsuit. Therefore, before commencing court proceedings, find out what you can about your debtor's finances. For example, by checking their credit report and bankruptcy status.
- **Determine if You Can Prove Your Claim**  
Every good lawyer will tell you that 'litigation is never a sure thing'. The more evidence you have to support your claim, the stronger your position will be. While evidence in the form of written documents is always best, it is not essential. The court will determine a claim without written documentation on a 'he said/she said' basis.



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# Is My Organisation Exempt From the Spam Act?

**Today, data is an important product for all types of organisations.**

Businesses often rely on email marketing and promotions to provide their customers with information about new products or to reach out to new customers and expand their reach. Due to the increasing value of data and personal information, the *Spam Act 2003* (Cth) (Spam Act) restricts spam with the aim to protect individuals from aggressive marketing strategies. Australian Communications and Media Authority (ACMA) monitors compliance with the *Spam Act*. This article considers which organisations are exempt.



## What is the Spam Act and When Does It Apply?

The *Spam Act* covers all commercial electronic messages sent by businesses that are not otherwise exempt. Commercial electronic messages may include messages whose purpose is to advertise:

- the supply of goods and/or services;
- an interest in land;
- a supplier of land; or
- a business or investment opportunity.

Additionally, the message must be sent using an internet carriage service to an email account or an instant messaging account. This includes social media accounts and text messages.

The law takes a holistic approach when determining if a message is a commercial electronic message. It looks at the content of the message, how the message presents itself, and any links the message includes. The most common forms of commercial electronic messages are email marketing campaigns.

It is important to note that even if your business is not required to comply with Australian privacy laws, it will still be required to comply with the Spam Act. That is, there is no minimum threshold for businesses to whom the Spam Act applies.

## Exemptions

As mentioned above, not every organisation is restricted from sending commercial electronic messages. The *Spam Act* permits the sending of 'designated commercial electronic messages', which are messages sent by:

- government bodies;
- registered political parties;
- registered charities; and
- educational institutions.

However, there is a condition that such entities can only send messages related to their own goods and/or services.

Similarly, businesses that are not any of the entities listed above may send designated commercial electronic messages if the message consists of no more than factual information. However, you should use caution when sending a designated commercial electronic message. This is because anything in the message that could be considered marketing or promotional material means the entire message is commercial. Consequently, the message is subject to the restrictions set out below. An example of this may be a link to a recent promotion your business is offering in the footer of the email.



### When Can a Business That Is Not Exempt Send Marketing Material?

We have all received marketing emails before, so in what circumstances can a business send commercial electronic messages? The Spam Act sets out three requirements that businesses have to follow when sending marketing or promotional material to anyone.

#### Get Permission From the Recipient

The most essential requirement is to have consent from the recipient before sending them marketing or promotional material. Consent may be express, for instance, if the recipient opts in to receive your direct marketing emails. Alternatively, it may be inferred. You may infer permission to send the message if the recipient has knowingly given their contact information (such as when signing up for an account with your business). Likewise, it must be reasonable to believe that the recipient would expect to receive the message from your business.



Inferred consent cannot be taken if the recipient has made a one-off purchase from your business.

#### Identify Yourself as the Sender

Your message must accurately identify your business details, including the correct contact details for you and your business.

#### Make It Easy to Unsubscribe

Every commercial message must include an easy-to-use and free, unsubscribe facility. Any request must be actioned within five working days, although most facilities have immediate unsubscribe facilities.

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