AUTUMN 2023

BUSINESS & PROFIT MATTERS

Strategies for managing your business

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ZANACORP

ESSTs - The ATO Eyes Wrongdoers

Did you know that it's not only accepting cash-in-hand payments that businesses might use to avoid paying additional taxes?

Some businesses may be employing electronic sales suppression tools (ESSTs) to manipulate their electronic sales records to under-report income and avoid paying the correct tax.

What Is An ESST?

ESSTs, also known as "Phantomware" and "Zappers", facilitate tax evasion by linking into Point of Sale systems (POS) and manipulating electronic sales records to match the "skimming" of cash receipts, hiding the real revenue of a business and allowing tax evasion.

The ESSTs work in several ways, including targeting the integrity of transactions, software, internal memory, external filing, or reporting to delete, change or simply not record selected sales data.

These tools are constantly evolving and could look like:

- hardware (for example, a USB drive) that connects to the point of sale (POS) system
- cloud-based software that works with a POS system
- incorporated as part of a POS system.

Possessing and using ESSts in a business is highly illegal. Penalties apply if you:

- produce or supply an ESST
- possess an ESST
- incorrectly keep records using an ESST.

Not removing your ESST when you have one or not coming forward when you are producing or supplying an ESST may lead to an audit, amendments and significant penalties for your ESST involvement. Penalties can be criminal or administrative in nature, and the amount of the penalty will depend on what you have done

The Australian Taxation Office has warned businesses that may be doing the wrong thing (intentionally or unintentionally) after a series of raids on businesses concerning ESSTs. The ATO strongly encourages businesses using ESST to come forward voluntarily. Businesses that come forward voluntarily may gain an opportunity to receive a penalty reduction. Information about how to do this is on the ATO website.

Businesses using ESS tools or software must review their past tax returns and activity statements to amend or correct them. They may also discuss the next steps with their registered tax professional - start the conversation with us today to find out how we can help.

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Getting Fuel Tax Credits Right

Fuel tax credits are often subject to change, so knowing what you or your business may be able to claim is critical. If you make the wrong claim on your BAS, you could be out of pocket for an avoidable mistake.

Fuel tax credits provide businesses with a credit for the fuel tax (excise or customs duty) that's included in the price of fuel used in:

- machinery
- equipment
- plant
- heavy vehicles
- light vehicles travelling off public roads or on private roads.

The fuel has to have been used for your business.

Taxable fuels include:

Liquid fuels • Fuel blends • Gaseous fuels

You can claim fuel tax credits for eligible fuels you use in business activities (including in light vehicles), such as on private roads, off public roads and for non-fuel uses.

Make sure that you used the reduced rates that applied for fuel acquired between 30 March and September 2022 (during the temporary reduction in fuel excise duty). If it's not correctly calculated, you may have overclaimed. This can be done using the ATO's fuel tax calculator.

Fuel tax credits were also increased on 1 February due to indexation affecting the fuel excise duty.

Rates For Fuel Acquired From 1 February 2023 To 30 June 2023

Eligible fuel type	Used in heavy vehicles for travelling on public roads	All other business uses (including to power auxiliary equipment of a heavy vehicle)
Liquid fuels – for example, diesel or petrol **Unit: cents per litre**	20.5	47.7
Blended fuels: B5, B20, E10 **Unit: cents per litre**	20.5	47.7
Blended fuel: E85 **Unit: cents per litre**	0	20.415
Liquefied petroleum gas (LPG) (duty paid) **Unit: cents per litre**	0	15.6
Liquefied natural gas (LNG) or compressed natural gas (CNG) (duty paid) **Unit: cents per kilogram**	0	32.7
B100 **Unit: cents per litre**	0	11.1

Remember, when you're calculating fuel tax credits on your BAS:

- use the ATO's fuel tax credit calculator every time you make a claim
- you can easily fix errors and make adjustments on your current BAS
- always keep accurate records to support your claims.

Registered tax and BAS agents like us can also assist you with your BAS & fuel tax credit claims - just ask us how.

Accessing Small Business Tax Concessions

Are you a small business? You might be eligible for certain small business concessions, which can apply to sole traders, partnerships, companies or trusts.

To qualify for these concessions, you'll need to determine if your business is a 'CGT small business entity' for the income year. You must review your eligibility each year.

You must meet the following requirements:

- Operate a business for all or part of the income year AND have a turnover of less than $10 million.
- $10 million turnover threshold does not apply to all tax concessions, some specific concessions have a different turnover threshold.

Only one incentive can apply to an asset. If more than one incentive could apply to an asset, the order of application is (subject to opt-out choices):

1. Temporary Full Expensing	• Until 30 June 2023, eligible businesses with an aggregated turnover of less than $5 billion can deduct the business portion of the cost of eligible new depreciating assets. • For small to medium-sized businesses, temporary full expensing also applies to the business portion of eligible second-hand depreciating assets. • Businesses can also apply temporary full expensing to the business portion of the cost of improvements made to eligible depreciating assets. This applies even if those assets were acquired before 7.30pm (AEDT) on 6 October 2020.
2. Instant asset write-off	• An eligible business can claim an immediate deduction for the business portion of the cost of an asset in the year it is first used or installed for use.
3. Backing business investment	The key features of the incentive are as follows: • if you are using the simplified depreciation rules for small business, you can claim 57.5% of the cost of the asset (for those assets that cost more than the instant asset write-off threshold) in the first year you add the asset to the small business pool • if you are not using the simplified depreciation rules for small business, you can claim a deduction of 50% of the cost or opening adjustable value of an eligible asset on installation. Existing depreciation rules apply to the balance of the asset's cost. You cannot claim a backing business investment – accelerated depreciation deduction if the business is eligible and uses temporary full expensing or instant asset write-off for the same asset.
4. Instant asset write-off	• The general depreciation rules set the amounts (capital allowances) that can be claimed, based on the asset's effective life. • To calculate depreciation, you can generally use either the prime cost method or the diminishing value method.

If you are not a 'small business entity', you may still qualify for certain small business concessions based on your aggregated turnover (which is your annual turnover plus the annual turnover of any business that is connected with you or that is your affiliate).

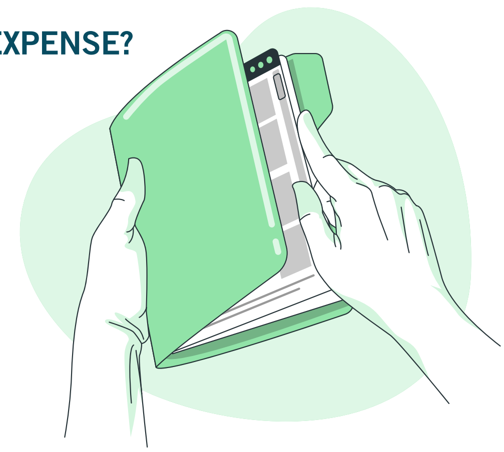
If you're not certain about how you might be able to access these concessions, why not start a conversation with us?

5 Record-Keeping Questions We're Often Asked

01

CAN I "GUESSTIMATE"? A BUSINESS EXPENSE?

No. **You cannot 'guesstimate' an expense.** Without having proper documentation to prove that the expense occurred, the expense cannot be claimed. You may leave yourself liable to penalties by 'guesstimating'.



HOW LONG DO I HAVE TO HOLD RECEIPTS FOR?

02

The law generally requires you to **keep tax records for 5 years after tax returns are lodged**. This means you should keep all receipts, proof of income, calculations, nominations and other records which support the contents of your tax return for five years.

03

WHAT'S THE BEST WAY TO KEEP RECORDS?

It comes down to personal preference as to how you'd prefer to keep the records - some people prefer the shoebox method of hard copies, while others prefer keeping them in specific files on their computer. **Make sure that you have backups available.** Whether this is through cloud storage, a USB or additional print copies, having backups means you're covered if anything goes awry.

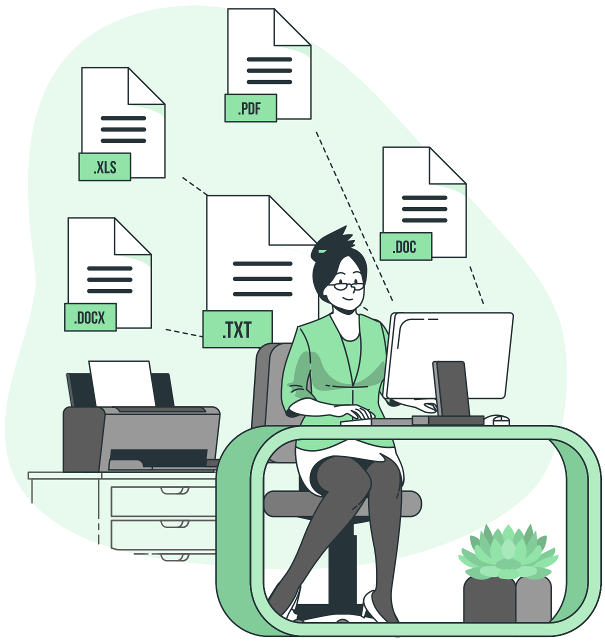
04

ARE THERE EXCEPTIONS TO THE 5-YEAR RULE?

If the records are related to a company, then the Corporations Act 2001 requires the company to keep financial records for 7 years.

If the records relate to a superannuation fund, then some of those records must be kept for 10 years, including minutes of trustee meetings and copies of all reports given to members.

In addition to the general rules, there are some circumstances where you must keep the tax records for longer than 5 years after lodging the relevant return.



- **Carried forward tax losses:** If you have tax losses that have been carried forward from earlier years, you will need to keep all records from the start of those losses until 5 years from when you make the final claim.
- **Depreciable assets:** If you have depreciable assets, you will need to keep all records relating to that purchase from the date of purchase until 5 years from when you make the final depreciation claim.
- **Cost base for capital gains tax:** If you own a capital asset – such as an investment property or shares – you will need to keep records of the cost base (including the purchase price, the costs involved in acquiring the asset and the costs involved in holding the asset). This is so that when you get rid of the asset, you can accurately calculate the capital gain or loss. The cost base records should then be kept for five years after the tax return in which the gain or loss is reported.
- **In a dispute with the ATO:** If you are in dispute with the ATO, you need to keep your records for five years after the dispute is resolved.
- **Employees:** If you pay wages, you should keep tax records relating to your employees for up to seven years (according to the Fair Work Act 2009) after their employment is terminated.

05

IF I GAVE RECORDS DIRECTLY TO MY ACCOUNTANT, DO I STILL NEED TO KEEP THEM?

Even if your records were given to your accountant for your tax returns, you still need to keep a copy of them up to the time limits given above (depending on the record).

The Buzz About ChatGPT & AI

While it may sound like a scene from Back to the Future, AI has advanced to the point where it can now serve as a useful writing tool for businesses. Although it may take some time to fully replace the human touch, ChatGPT has garnered much attention lately due to its increasing sophistication and widespread usage in various industries such as marketing and customer relations.

Despite the potential benefits that ChatGPT could bring to business marketing and communication, there are also potential risks associated with its adoption.

So, what exactly is ChatGPT?

ChatGPT is an AI-powered natural language processing tool that enables users to engage in human-like conversations with chatbots, as well as generate paragraphs of content for various purposes such as composing emails, essays, and code. It is based on the Generative Pre-trained Transformer (GPT) architecture, specifically GPT-3, created by OpenAI. These generative AI models are trained on vast amounts of data from the internet, including websites, books, and news articles, among other sources.

Limitations of ChatGPT include its inability to comprehend questions that are phrased in a specific way, necessitating rewording for proper understanding. Additionally, the quality of its responses can be a significant limitation, as they may sound plausible but lack practical meaning or be excessively verbose. Instead of requesting clarification on ambiguous questions, the model may make an educated guess, resulting in unintended responses.

Another concern with AI chatbots is the potential spread of misinformation. Since the chatbot operates independently of the internet, it may provide incorrect information.

It's also worth noting that ChatGPT's database currently only includes information up until 2021. Special topic content can be quite American-centric if you are not specific enough with the prompt or ask it to write about a term with different meanings globally.

For example, this general article about ChatGPT was rewritten by ChatGPT (with the majority of content provided by us). With a frame of reference, it provided a fairly comprehensive overview of the topic within this article.

However, take the following request put to ChatGPT to write a paragraph itself on a specialist subject, such as small business concessions.

Small business concessions refer to a range of tax breaks and benefits provided by the government to support small businesses. These concessions include reduced tax rates, simplified tax reporting, accelerated depreciation of assets, and immediate write-offs for certain expenses. Small businesses may also be eligible for government grants and loans to assist with start-up costs and ongoing operations.

These concessions aim to encourage entrepreneurship, boost economic growth, and support the success of small businesses. By providing tax relief and financial assistance, small business concessions can help small businesses stay competitive and thrive in today's economy.

This content is very generalised. While it does explain what the small business concessions are, it does not go into too much depth about the subject or too much detail about the specifics.

While ChatGPT is a sophisticated chatbot that could simplify daily tasks like email composition and web navigation, some technical challenges must be addressed before its widespread adoption to avoid negative consequences such as misinformation propagation or distribution.

Is It Time For A Cybersecurity Check Up For Your Business

Cybercrime never sleeps, so round-the-clock prevention and protection must be at the forefront of your business's cybersecurity plan.

Small to medium businesses are just as likely to be the target of a cyber attack as larger businesses but may not be as well-protected. When the average cost of a data breach for small businesses is $3.35 million per breach, you want to ensure that you have the best measures and practices in place.

THE CHECKLIST FOR A BETTER CYBERSECURITY PLAN

UNDERSTAND YOUR ENVIRONMENT

Hope for the best and plan for the worst regarding your cybersecurity. Expect a breach to occur. Know what is present within your business's digital environment (such as devices and systems) and where your valuable data is based. This can help to identify key areas that may be at risk and assist you in responding quickly to a breach.

TRAIN EMPLOYEES ON BEST PRACTICES

While employees are your company's best asset, they are often the weakest link in protecting against cyber threats.

Make sure that employees know to lock and physically secure their devices, documents and computer files. Encourage good safety practices for your corporate devices and laptops, as these can be at high risk of thievery.

Provide your employees with more security training to prevent the human errors that affect cybersecurity. Encourage the creation of stronger passwords, and make sure that there is a security policy in place for outgoing employees to abide by.

IMPLEMENT SECURITY DEFENSES BY EMBRACING THE "MULTIS"

Security technologies provide a greater defence against potential data breaches and can be customised to suit your business's needs. First, make sure that your accounts have multi-factor authentication turned on. This usually involves adding another 'factor' to your login process, such as a PIN or a code sent to another device.

You should also ensure that your security is multi-layered. Most organisations' layers should include a firewall, patch management, endpoint protection, web and email content filtering, and multi-factor authentication. Plus, to be certain that high-value data is secure, make sure that access to it is limited in the first place. Implement role-based access control (RBAC) to prevent breaches from occurring by accident by only allowing employees access to the data, tasks and applications that are necessary for their position. For example, a personal assistant to a CEO may require access to their diary, but not to the payroll software for the company.

MAINTAIN GOOD IT SECURITY HYGIENE

Ensure that up-to-date antivirus software is installed to prevent malware, ransomware and other threats on all devices within the workplace. It may be best to bring in a work-device-only policy for accessing sensitive information/data in case an incursion happens on a personal device.

What Is The Key To Retaining Employees?

To gain a better understanding of the negative aspects of a business and develop effective solutions, exit interviews are often conducted with departing employees.

However, these interviews occur at the end of the employee's tenure and may be too late to address their specific concerns. Instead, businesses may benefit from understanding what motivates current employees to remain with the company.

Why Do Employees Leave A Job?

More than likely, you'll hear departing employees cite one or more of the following reasons for leaving their job:

- Inadequate salary (a salary boost is often the main reason they are seeking a new job.)
- The perks or benefits of the job are not competitive/not right for their needs.
- Feeling overworked or unsupported
- Limited career advancement
- A need for better work-life balance
- Lack of recognition
- Boredom
- Unhappiness with management
- Concerns about the company's direction or financial health
- Dissatisfaction with the company culture
- The desire to make a change
- More compelling job opportunities at other companies

It's also likely that the employee may not have had plans to stay with the company for a prolonged period of time.

Conducting "stay interviews" can provide valuable insights into what's working for employees and help to address retention issues preemptively. By asking questions that typically arise in exit interviews, businesses can proactively adopt intentional practices that uplift their employees' satisfaction and retention.

Questions To Ask

What's Your Frame Of Mind Today?

Your staff should feel comfortable expressing their feelings about their working situation with you. No matter what they share with you, don't attempt to solve the problem outright or negate their experience. Rather, normalise their experience by relating it with your own acknowledgements of struggle.

Are You Feeling Connected At Work?

A research link between being friendly with fellow coworkers and employee engagement exists. Explore what you can do to help them deepen those connections so they don't feel socially disconnected. Plus, work relationships can help extend your employees' stay with your business, as they may be reluctant to leave their friends.

What Are The Barriers We Can Remove For You?

To truly recognize and support your employees, it's not enough to simply offer praise and rewards. It's important to also acknowledge the obstacles and difficulties they may encounter while working towards their goals. Engage in a collaborative brainstorming session with your employees to identify potential solutions and strategies for reducing the impact of these barriers.

Afterwards, communicate the agreed-upon actions and ensure that they are implemented as promised. Consistently following through on these actions demonstrates a true commitment to supporting your employees and helping them succeed.

What Do You Want To Learn To Help You Grow?

This doesn't need to be about how they can grow to benefit the company. Rather, ask them what they would like to do for themselves so that you can help them to foster their development or achieve their dreams and aspirations.

You should be asking your employees these questions on a somewhat regular basis for maximum effectiveness. These can be asked during your usual one-on-one staff meetings, or you can organise regular stay interviews with your team. This may lead to an increase in employee morale and retention (or at least let you know how they are sitting within the company).