

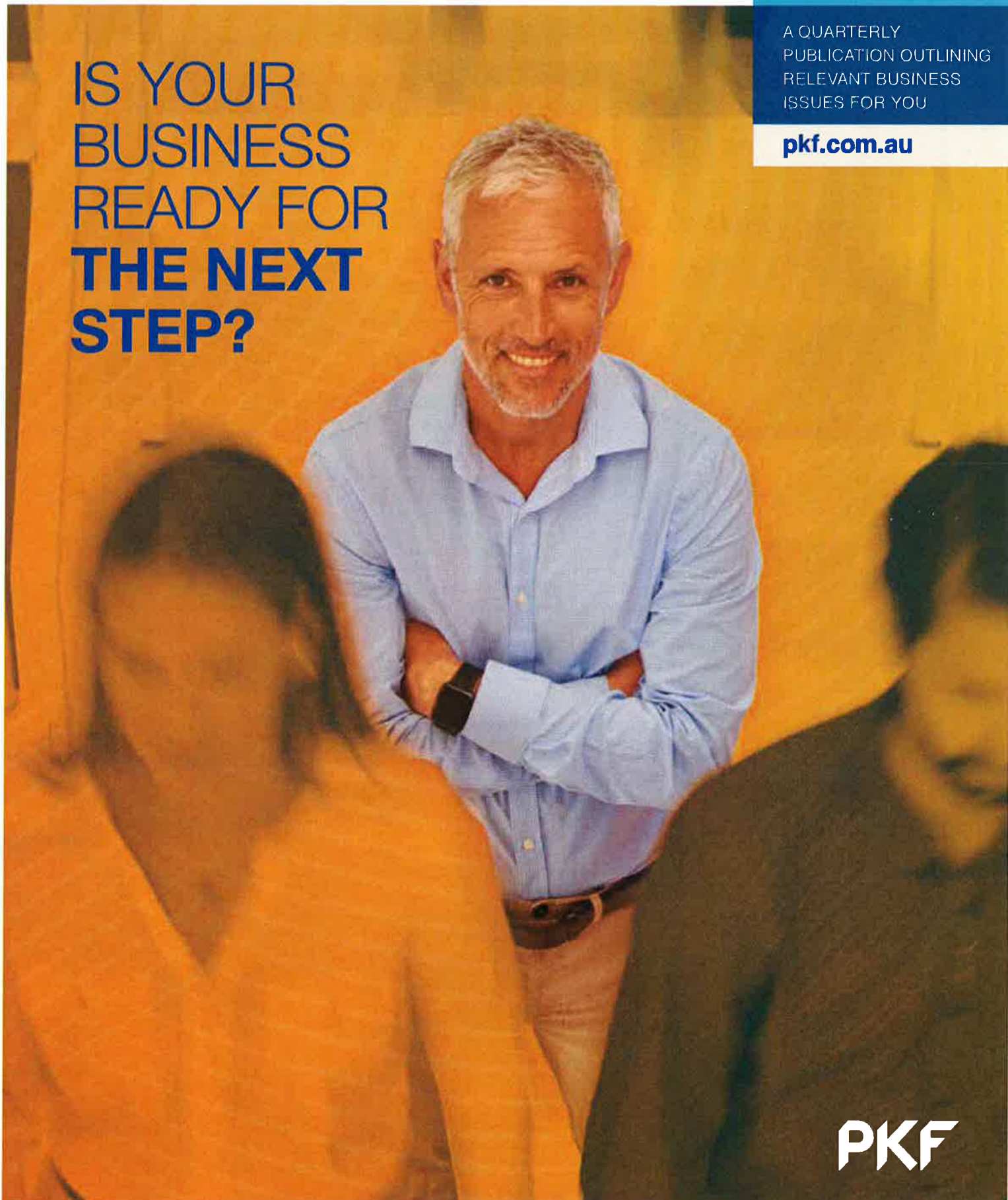
PULSE

18
SPRING

A QUARTERLY
PUBLICATION OUTLINING
RELEVANT BUSINESS
ISSUES FOR YOU

pkf.com.au

IS YOUR
BUSINESS
READY FOR
**THE NEXT
STEP?**



PKF

SPRING

18

IN
THIS
ISSUE

welcome



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WELCOME TO THE SPRING EDITION OF PULSE. SPRING HAS CERTAINLY SPRUNG WITH EVERYONE IN OVERDRIVE THIS BUSY SEASON, GIVING US A TIMELY PROMPT TO THE IMPORTANCE OF TIME MANAGEMENT AND PLANNING.

In this edition, a great article from Partner Bob Bell reminds us why the fundamentals of being polite and respectful are behaviours that should never be forgotten, and with the Australian population ageing (by 2057, according to the Australian Government, it is projected there will be 8.8 million older people in Australia aged 65 and over) we must review our Aged Care Plan (and that of our parents) and if you are a business owner, it may be time to consider if your business is sale ready – if you have not already done so.

In terms of business, the mining and energy sectors continue to push forward which is more broadly influencing and having a positive flow-on effect across the broader economic sphere. At the other end, we see the disgraceful issues surrounding the Financial Services Royal Commission. Many of us have been shocked by the revelations that have come out with findings of unethical behaviour across the larger end of the industry causing an air of mistrust amongst the public. The impact of this has been increased regulation and changes for all financial planners and the financial sector more broadly which will continue well into the future. The focus of the industry, and for us is, and always will be on the client and their best interests and ensuring we are protecting their future.

The desperate plight in the agricultural sector at present continues, with over 90% of the state now officially in drought – our thoughts and prayers are with the farmers and their families during these especially hard times. We encourage people to get behind the farmers for the sustainability of a very important industry to our economic arena. To this end, the partners of PKF have donated \$10,000 to the drought appeal and we hold out hope that much needed rain will come soon.

In more positive news, the PKF team continues to thrive and I'm proud to announce that at our EOFY Ball, Danielle Whitehead was awarded the title of PKF Employee of the Year. Many of you will know Danielle (she's been a valued member of our team for over seven years). Danielle is one of the first people to welcome new team members to the PKF family, she radiates happiness and lives our values in everything she does. Danielle's growth has been profound, and we are so very proud to have her on the PKF team.

PKF recently announced the promotion of Baidy Laffan, Mitch Stone and Nick Navarra to Director/ Partner within our business. Baidy continues

to drive our niche in the Franchise Sector with successful outcomes for clients while Mitch has driven the Hospitality team over the last four years which has gone from strength to strength. Nick has been a key member of PKF Corporate Finance over the past seven years. We congratulate Baidy, Nick and Mitch and look forward to their journey as they continue to make their mark at PKF in Australia, globally and in the wider business community.



■ Danielle Whitehead



■ Baidy Laffan



■ Mitch Stone



■ Nick Navarra



■ Kylee Dare

We are very excited to announce the appointment of Kylee Dare to our Board of Directors in a Non-Executive Director position. Kylee is well known to the PKF family as she was a Partner of the firm in our Lawler Partners days. In 2012 Kylee had to depart the PKF team due to health reasons but it is great to see her returning to better health and it is significant for us to have Kylee back on the PKF team.

Kylee's significant experience and qualifications make her a true asset to the team. Kylee has already begun an important role at the firm with her involvement in PKF's Thrive and Lead Program which is focusing on inspiring and encouraging our future female leaders.

Finally, I had the absolute pleasure of taking part in the *Leaders Leap* hosted by Westpac Rescue Helicopter Services (WRHS). The unique event saw 25 local leaders abseil down the face of McDonald Jones Stadium in order to raise money for WRHS and to reflect upon the work of the WRHS crew, who regularly winch people to safety from the bush, ocean and hard to access locations. We hold a valued relationship with WRHS, it was an exhilarating experience (can't wait to do it again) and it is great to be able to assist an organisation that plays such an integral part in our community.

Steve Meyn

Managing Director

As with established tax principles, how a taxpayer will be subject to tax on any cryptocurrency transactions will be based upon the particular facts and circumstances relevant to the acquisition by the taxpayer.



Assistant Manager | Anthony Gomes

TAXATION

Taxation of Cryptocurrency in Australia

CRYPTOCURRENCIES AND BLOCKCHAIN TECHNOLOGY REPRESENT AN EXCITING WAVE OF A NEW TECHNOLOGY AND, AS THEIR USE BECOMES MORE WIDESPREAD, TAX ADVISERS AND THE AUSTRALIAN TAXATION OFFICE (ATO) NEED TO CONSIDER HOW TO APPLY LEGISLATION WHICH WAS NOT DESIGNED FOR THE APPLICATION OF THIS NEW TECHNOLOGY.

Application of Tax Principles to Cryptocurrency

Despite being a new asset class, the cryptocurrency market has rapidly evolved and so have the types of cryptocurrencies and their uses.

There are many types of cryptocurrencies, with the main categories being:

- Currencies;
- Utility Tokens;
- Asset Tokens; and
- Security Tokens.

As with established tax principles, how a taxpayer will be subject to tax on any cryptocurrency transactions will be based upon the particular facts and circumstances relevant to the acquisition by the taxpayer, with the following categories likely to be applicable:

- **Carrying on a business** – where a taxpayer is regularly trading in and out of cryptocurrencies in a business-like manner, they will likely be considered to be carrying on a business and any profits or losses will be assessable/deductible when realised.
- **Acquired for the purpose of disposing at a profit** – again this should mean that any profits/losses will be assessable/deductible when realised.
- **Acquired for the purpose of a long-term investment** – this should mean that any profits/losses will be taxable on capital account with the potential to access the CGT discount if the asset is held by a qualifying person (individual, trustee or superannuation) for at least 12 months.
- **Personal use assets** – where a cryptocurrency is acquired and used mainly to purchase items for personal use or consumption then the cryptocurrency may be considered a personal use asset. In this case, if acquired for less than \$10,000 any gain can be disregarded. Personal use assets cannot give rise to losses.

Please note that it is likely that a transfer between cryptocurrencies will trigger a need to determine a gain/loss for tax purposes (not just at the time the cryptocurrency is converted back into fiat currency).

Planning Points

With the Australian Tax System being a self-assessment system, ultimately it is up to the taxpayer to make sure they have contemporaneous records for any position adopted in their tax returns.

At a high level, taxpayers should record the acquisition and sale price of any cryptocurrencies sold.

Where a cryptocurrency has multiple uses (such as a utility token), taxpayers should record details such as their intention at the time of acquiring the cryptocurrency or any subsequent change of intention as in the absence of sufficient contemporaneous records, the taxpayer's behaviour may be used as objective evidence to determine appropriate tax treatment.

With the above in mind, taxpayers should also record details such as:

- Their intention to hold for the mid to longer term, which may indicate the cryptocurrency is held as an investment on capital account;
- Any change of intention which results in the cryptocurrency being disposed of within a shorter period than previously expected; and
- Whether a first-in-first-out or other specific methods are appropriate to calculate gains and losses on cryptocurrency.

Finally, where there may be doubt in respect of a taxpayer's particular circumstances, it is also possible to approach the ATO for a private binding ruling where the ATO can analyse a fact pattern or set of transactions and provide guidance as to the expected tax treatment.

Contact one of our Taxation specialists in Newcastle on (02) 4962 2688 or Sydney on (02) 8346 6000.





Having a crisis management strategy in place is beneficial but employing it should always be a last resort, these situations are entirely avoidable if the right steps are taken.

Lush Cosmetics – Lessons Learnt

WE ARE CURRENTLY RIDING THE WAVE OF CONSCIOUS CONSUMERISM WHERE TRUST IS A BOTTOM LINE REQUIREMENT FOR BUSINESS, AND ETHICAL BRANDS HAVE SERIOUS PULL. BUT NOT EVEN THE BEST INTENTIONS CAN PROTECT YOU FROM BRAND AND REPUTATIONAL DAMAGE. LUSH COSMETICS RECENTLY PUBLICLY ANNOUNCED THEY HAD UNDERPAID EMPLOYEES BY \$2 MILLION. THIS IS A BRAND THAT IS 100% VEGETARIAN, PRO-ETHICAL BUYING, FIGHTING AGAINST ANIMAL TESTING AND ANTI-PACKAGING. IT IS ONE OF THE MOST ETHICALLY CONSCIOUS BRANDS IN THE RETAIL SPACE, AND IT IS NOT IMMUNE FROM THE TYPE OF PAYROLL PROBLEMS WE HAVE SEEN FROM OTHERS.

But the Lush story is very different from those we have seen from 7-Eleven, Dominos and Red Rooster, where the story became a scandal and reputations were put at risk. So, what makes it so different and what can others learn from this:

1 Accountability – unlike the organisations that came under fire before them, Lush was first to the table to make the announcement. What is interesting about the Lush story is the way they framed it to the market and the media response. The CEO's statement reads:

"We are deeply sorry to our valued staff and customers that we've failed to uphold the values that we have always believed in and the high standards that we've always sought to achieve. We would never knowingly underpay. This was not deliberate. It goes against everything we value and believe in".

Lush went the extra step of publishing an open letter to their customers that outlined the nature of the underpayment in detail and disclosed that they have engaged a provider to "enter 200,000 historic handwritten timesheets onto a new payroll system to re-run the last eight years of payroll".

These messages fit with the Lush brand and have had the effect that consumers aren't rallying against them and believe that the brand genuinely made a mistake.

The effect of this has been that the media and press have been surprisingly positive compared to the "underpayment scandals" of others.

2 Being proactive and willing to 'fix' the problem – we have assisted major national groups and corporates facing similar concerns to Lush and have found that it's imperative that the organisation involved can demonstrate that as it has taken steps to triage this matter, through identifying, reviewing and putting in

place a remediation plan with respect to any controls which were found not to be operating effectively – before the regulator arrives.

Of course, this affords you another benefit; the opportunity to take at least some control over the process and the narrative from here, rather than being at the mercy of the regulator.

- 3 A great communications team –** your communications team need to join you at the table when designing your strategy and narrative. Your message needs to be: simple, clear and authentic. Lush's communications team are on point and have won everyone over.
- 4 Growth is great but, you need to keep up –** Lush's National Director has blamed the underpayment on Lush's internal payment systems not keeping pace with its growth. It appears



that the process was manual leaving huge room for error in a complex area dealing with thousands of employees. There are a lot of organisations that grow at a rapid rate. Ensuring you have the right technology and support around you is essential. What worked for your business yesterday, may be putting it at risk today.

The real message

Having a crisis management strategy in place is beneficial but employing it should always be a last resort, these situations are entirely avoidable if the right steps are taken. Due to the complexity of Australia's awards system, it is important to ensure you are obtaining the right advice from the outset from your HR advisers and employment lawyers. It is then imperative to be validating that the advice has been correctly applied across your business on a recurring basis through an appropriate governance and audit framework that is tailored to your brand.

Our Audit & Assurance team are available to assist with any issues or enquiries you may have – call (02) 8346 6000 today.

When stacked against competition, does your business stand out?
Can you articulate why it should stand out?



Director | Andrew Beattie

BUSINESS ADVISORY SERVICES

The Wave is Coming

"AUSTRALIA IS BEING TRANSFORMED... WE ARE AT A CRITICAL DEMOGRAPHIC TURNING POINT BECAUSE OF THE BABY BOOM COHORT – THE 5.5 MILLION PEOPLE BORN BETWEEN 1946 AND 1965 – HAS BEGUN TO TURN 65 YEARS OF AGE... **BY 2030, ALL BABY BOOMERS WILL BE 65 OR OLDER,**" NSPAC 2012.

"Retiring Baby Boomers struggling to sell businesses as value of SMEs decline,"
Sydney Morning Herald, 25 April 2017.

Directly proportional to the 800% increase in the number of businesses for sale over the past decade, the value of Australian small to medium enterprises (SMEs) has been trending downward for the past 11 years.

Why?

1 More businesses are coming onto the market – mostly baby boomers with no family looking to succeed them. In 2012, 38% of owners planned to pass their business onto the next generation. As of 2016, it's below 25%.

When stacked against competition, does your business stand out? Can you articulate why it **should** stand out? Who is your competition? What are buyers looking for?

2 Many businesses simply leave it too late to consider their exit strategy. More than 70% of private business owners have no exit or succession plan. It takes the average business **three to five** years to prepare to maximise any sale price.

A business that seems like a good investment may quickly tarnish under scrutiny, once prospective buyers 'lift the hood'. Generally, you only get one bite at the cherry – if your business is assessed and found wanting by a potential purchaser, that opportunity is likely lost.

3 Many businesses are going it alone and have not sought advice about a transition or considered available options and whether they are viable. Trade sale? Family transition? Management buy-out? Partnership planning?

4 Many business owners have no idea what they need to retire – what after-tax income they need to support their lifestyle, or what value their biggest asset – their business – will contribute to their nest egg.

Because, and even in spite of these factors, it is wise to think about being 'sale ready' from day one – because a business that is 'sale ready' is likely generating the best returns along the way.

Don't leave it until you are ready to sell. When you have had enough, you won't have the energy to really get ready.

Maximising your sale price means understanding what the market wants – which is generally less risk. There are some reasonably straightforward steps you can take but they require deliberate action.

Really, your plan needs to start at the end – what value should you realise from your business? What can it realise now? Time is your biggest ally to close any gap, providing you use it well and have the right advisers around you.

Returning to the baby boomers: it's critical that we don't underestimate the impact on the market for Australian businesses. Moving from a long period of asset accumulation to a significant period of liquidation means a weighty shift in the supply and demand equation.

The wave is coming!



SUPERANNUATION

David Henriksen | Director

In the case of a Self-Managed Superannuation Fund (SMSF), the trustees at the time of death of the member have 'control' over where the member's benefits are paid, irrespective of what the will says.

Death & Your Superannuation Entitlements



SUPERANNUATION BENEFITS ARE NOT AUTOMATICALLY PART OF A PERSON'S WILL. UPON THE DEATH OF A MEMBER, THE TRUSTEES OF THE SUPERANNUATION FUND NEED TO IDENTIFY TO WHOM THE MEMBER'S BENEFITS SHOULD BE PAID. IN MOST CASES, DEATH BENEFITS ARE PAID DIRECTLY TO THE DECEASED'S DEPENDANTS RATHER THAN THROUGH THE ESTATE. UNDER SUPERANNUATION LAWS APART FROM A DEPENDANT, THE ONLY OTHER PARTY THAT COULD BE PAID A SUPERANNUATION DEATH BENEFIT IS THE PERSON'S LEGAL PERSONAL REPRESENTATIVE.

In the case of a Self-Managed Superannuation Fund (SMSF), the trustees at the time of death of the member have 'control' over where the member's benefits are paid, irrespective of what the will says. The death benefits will need to be paid to dependants or their legal personal representative, but the trustee can decide, in the absence of a binding death benefit, if they wish to pay the benefits to the legal personal representative or which dependants the benefits are paid to.

Under superannuation legislation a dependant and a legal personal representative are defined as follows:

Dependant, in relation to a person, includes the spouse of the person, any child of the person and any person with whom the person has an interdependency relationship.

Legal personal representative means the executor of the will or administrator of the estate of a deceased, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by a person.

There are a few considerations when deciding who to leave superannuation death benefits to which include:

1 Possible Tax Consequences to the Recipient

- If paid to a spouse generally no tax;
- If paid to a minor child generally no tax;
- If paid to another person for whom there was an interdependent relationship generally no tax;
- If paid to the legal personal representative to be dealt with through the estate possible tax of 15% on the member's taxable element in their entitlements (most people have taxable element entitlements). This tax would be paid by the estate; and
- If paid to an adult child with no dependency to the deceased, then the taxable element is taxed at 15% + Medicare of a further 2%. An effective tax rate of 17% on the death benefits payable by the recipient.

2 How or if any Beneficiaries or Potential Beneficiaries to the Deceased might Challenge the Estate

- By leaving benefits to a spouse the estate is left out of the decision on how the benefits are paid and tax can be managed;
- By leaving the benefits to the estate via the legal personal representative the super benefits are exposed to any risks relating to beneficiaries or possible beneficiaries of the estate challenging and attempting to get paid part of the super benefits; and
- If leaving direct to adult children from super, then the estate has no power to direct funds from super. Considered especially in blended families.

3 How the Wealth will Transfer on the Death of the Beneficiary

- By leaving benefits to the legal personal representative, the estate may place funds in a testamentary trust for the benefit of the current spouse and children. This further protects the wealth on the death of the current spouse so as to ensure wealth continues to be passed through the deceased family. Also, to not end up with stepchildren or future spouses or children their spouse may end up with.

It is important that all super funds are made aware of a person's desired death benefit beneficiary. Even more so in SMSFs where control might end up with parties that are conflicted to follow the deceased wishes.

I encourage all to talk to their SMSF accountant or financial adviser on this topic to ensure all risks are considered. If necessary, they can then assist with further discussion on the topic and help formulate a brief for discussion with an estate planning lawyer.

If you have 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.

Making decisions without a detailed knowledge of all available options [in aged care] can result in poor financial outcomes for both individuals and their families.



Financial Adviser | Alex Myers

PKF WEALTH

Baby Boomer Boom – Time to Review Your Aged Care Plan

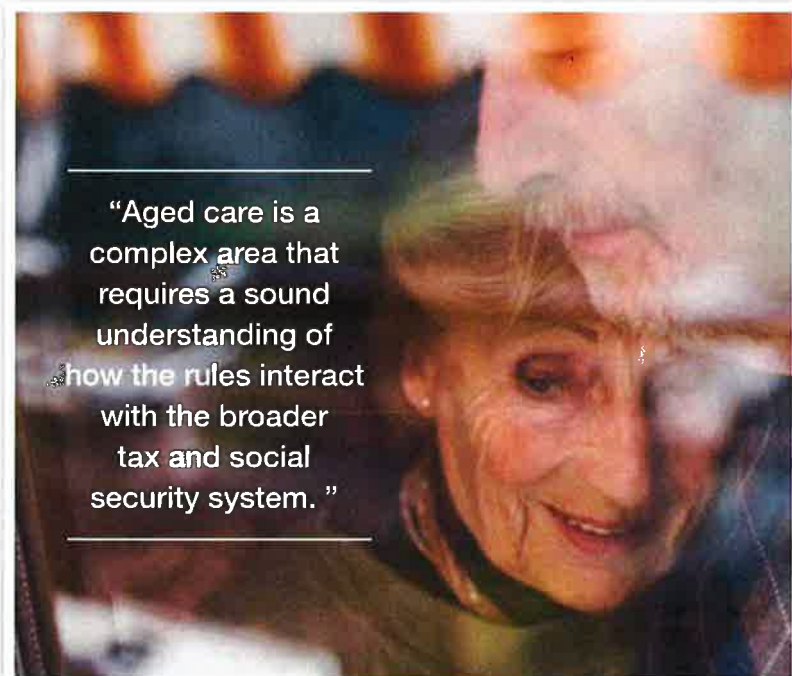
THE COMBINATION OF THE AGEING BABY BOOMER GENERATION AND CONTINUAL MEDICAL ADVANCEMENTS INCREASING OUR LIFE EXPECTANCY MEANS THAT OVER THE NEXT 20 YEARS THE NUMBER OF OLDER AUSTRALIANS IS EXPECTED TO DOUBLE. THIS WILL RESULT IN NEARLY 4 MILLION AUSTRALIANS BEING OVER THE AGE OF 70.

This will also mean that more Australians will experience the need for aged care during their lives. Becoming reliant on others, requiring assistance with everyday activities and living is not a topic that many people are open to discussing as we are all wanting to live our later years with independence and dignity.

Given that there is often a lack of planning around the need for aged care, many older people, their family and loved ones tend to encounter the aged care system after a serious medical event or crisis triggers a change in circumstances. This may mean that returning home is no longer an option and a move to an aged care facility becomes a necessity.

This could mean that someone is facing the prospect of having to organise care for their spouse or life partner or adult children dealing with having to place their parents into care. Clearly, these will be extremely stressful and emotionally draining circumstances.

Dealing with complex financial issues at a time when your main concern is the health and welfare of someone you love can be both challenging and very time-consuming. Just getting a basic understanding of what forms you need, how to complete them correctly and where to send them can be a difficult path to navigate. This may well all be occurring in a time critical environment as a place within a suitable facility needs to be quickly organised and secured.



Aged care is a complex area that requires a sound understanding of how the rules interact with the broader tax and social security system. Attempting to gain an understanding of these rules, the different costs and fees involved, government funding available and the various options to finance the care required can become overwhelming.

Making decisions without a detailed knowledge of all available options can result in poor financial outcomes for both individuals and their families.

A financial adviser with experience and understanding of aged care can provide clarity and understanding around all your options and ensure that you are able to make informed decisions with confidence.

This will include explaining and discussing areas such as:

- What are the costs associated with aged care and how are these calculated?

- The different options available to meet both initial and ongoing aged care costs.
- Is the sale of the family home necessary and what are the time frames for this to occur?
- How will Centrelink (social security) benefits be impacted? and
- Will any existing estate planning that is in place need to be adjusted?

Quality financial advice will assist to reduce stress, deliver improved financial outcomes and allow better family cohesion during difficult circumstances.

Overall the goal of an adviser will be to assist a family to focus on helping a loved one make a challenging transition with confidence and dignity.

Contact PKF Wealth on
(02) 49 62 26 88 to discuss
your Aged Care Plan.



Financial models have continuously evolved over the last three decades to become one of the most important financial tools in the modern business world.

Building Financial Models That Really Work

FINANCIAL MODELS HAVE CONTINUOUSLY EVOLVED OVER THE LAST THREE DECADES TO BECOME ONE OF THE MOST IMPORTANT FINANCIAL TOOLS IN THE MODERN BUSINESS WORLD. VIRTUALLY, ALL BUSINESS DECISIONS HAVE SOME LINKAGE TO A FINANCIAL MODEL. THE MODELS CAN RANGE FROM A SIMPLE SPREADSHEET TO A COMPLEX FINANCIAL MODEL WITH MULTIPLE INPUTS AND OUTPUTS.

An inaccurate model can result in poor business decisions. Despite their growing influence in decision making, it's surprising to see that a large number of organisations still treat financial models in a relaxed manner.

For example, recent examples of errors we have seen include:

- An incorrect model linkage reduced the projected Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) by 15%;
- VLOOKUP function in a feasibility model was incorrectly used resulting in the business making an investment decision they would have rejected otherwise;
- An assumption that was supposed to be a variable was hardcoded in the model resulting in incorrect comparisons across various options that were being considered; and
- An inconsistent formula was applied within an impairment testing model that resulted in an impairment decision when there should have been none.

In our experience, a simple three-step process can result in efficient financial models that serve the purpose and de-risk decision making.

- 1 Build models that are fit for purpose and easy to use;
- 2 Always get a second set of eyes to review; and
- 3 Document changes and review any updates thoroughly.

Build Models That Are Fit for Purpose and Easy to Use

While there is plenty of good literature around building great models, I've realised that every good modeller that I worked with, in the last 15 years had four things in common:

- 1 Starts the modelling process by **understanding** the stakeholders, their objectives, and their ability to work with financial models of varying degree of complexity;
- 2 Creates models that are **simple to follow** with clear segregation of inputs, calculations and outputs;
- 3 Uses functions that are **less prone to errors**. For example, using Index and Match over VLOOKUP; and
- 4 Builds models that are **easy to review** by using multiple tabs, short formulas and error checks whenever possible.

Helping organisations make better decisions, quicker





Always Get A Second Set of Eyes to Review

Always get a second set of eyes (possibly a third set on complex models) to review your model. Also, consider using professional review services for models that underpin critical decisions.

Document Changes and Review Updates Thoroughly

A change log tab in the model goes a long way in making sure it stays relevant over time. Also, consider resetting to a fresh model or getting a thorough review once the change log becomes really large.

Our financial modelling team can assist you with the full range of services from preparing the whole model and ensuring that the functionality is suitable (including sensitivities, covenants, headroom calculations etc. and graphical representations), through to sample model checks or just a simple reasonableness review.

During due diligence on projections, we normally spot material errors in a morning, and often within an hour. We can make sure that your model does what it needs to do and that you present the right information for the board, investors and regulators.

To have your perfect Financial Model created today, contact our Corporate Finance team on (02) 8346 6000.



PKF's Golden Rules

- ◆ Keep it simple and user friendly
- ◆ Separate inputs, calculations and results
- ◆ Use multiple worksheets
- ◆ Create and use styles
- ◆ Use INDEX and MATCH over VLOOKUP for a more robust and efficient formula
- ◆ Hyperlinks make navigating through the model easier
- ◆ Use data tables only when simple calculations are not possible
- ◆ Use one formula per row or column
- ◆ Include a documentation sheet
- ◆ Use named ranges

Leaders Leap for Westpac Rescue Helicopter Service

ON FRIDAY, 10 AUGUST, OUR FEARLESS LEADER STEVE MEYN, ABSEILED DOWN THE FACE OF THE MCDONALD JONES STADIUM IN SUPPORT OF WESTPAC RESCUE HELICOPTER SERVICE.



Without any practice runs, Steve rigged up, headed to the roof top, turned his back on the drop and lowered himself over the edge... he was keen for round two we think!

Thank you to everyone for your support, because you're not just supporting a Leaping Leader, you're supporting our greater community. Every dollar donated will help to ensure that the Rescue Helicopter is ready to respond 24 hours per day, seven days per week with no one ever having to pay to be assisted.



PKF's EOFY Ball

THE EOFY HAS COME AND GONE, AND PKF SYDNEY & NEWCASTLE SURE KNOW HOW TO HAVE A 'BALL' AND LET DOWN THEIR HAIR!

As usual, everyone looked amazing and the dance floor was filled to the brim (a special thanks to the very talented band Tre Soul) – if only the night went longer!

A huge congrats to our lovely Employee of the Year, Danielle Whitehead – very well deserved!





The changes [to GST laws] now put the onus of collecting and remitting the GST on the purchaser and the risk of non-collection is reduced.

Cash Flow Crunch for Property Developers

IF YOU ARE A PROPERTY DEVELOPER OR AN ADVISER IN THE PROPERTY DEVELOPMENT SECTOR, YOU SHOULD BE AWARE OF THE RECENT CHANGE TO GST LAWS WHICH BECAME EFFECTIVE 1 JULY 2018. IN SUMMARY, IT IS NOW A REQUIREMENT FOR PURCHASERS OF NEW RESIDENTIAL PREMISES OR POTENTIAL RESIDENTIAL LAND TO WITHHOLD THE GST FROM THE CONTRACT PRICE AND REMIT IT TO THE AUSTRALIAN TAXATION OFFICE (ATO). NEW PROPERTY BUYERS BECOME THE GST COLLECTORS.

The amendment was made to ensure that GST from sales of new residential premises or potential residential land would be paid to the ATO and to prevent property developers from using phoenix activity to avoid having to remit these funds. Before the amendment, GST collected by some property developers would either not be paid to the ATO or it would be difficult for the ATO to collect. This is whilst property developers receive the benefit of claiming input tax credits for construction costs, often large refunds. The changes now put the onus of collecting and remitting the GST on the purchaser and the risk of non-collection is reduced.

The changes in effect, provide the ATO with a higher priority in payment over other creditors once a property is sold, including financiers who have financed the project. Previously, property developers would have access to the GST proceeds from sales and could apply these funds against debts owed to financiers to ensure that they comply with their obligations set out in their loan agreements. Given the change, financiers may impose additional requirements on property developers such as increasing pre-sales targets going forward.

Other examples of cash flow implications for property developers include:

- Should the property be sold utilising the margin scheme, the GST withheld by the purchaser could be greater than the actual GST liability. Property developers will have to wait until after they have lodged their Business Activity Statements (BAS) to obtain a refund from the ATO.
- The GST proceeds are no longer available for short-term cash flow needs as it previously would have been retained up until the due date of payment of BAS liabilities. These funds will now be retained by the purchaser.

The amendments will require new processes for both the vendor and purchaser and these are outlined as follows:

Vendor Obligations

The vendor is required to issue to the purchaser with written notice at least 14 days before settlement if GST is applicable to the transaction and to be withheld. The notice should address the following:

- The amount of GST to be withheld;
- Payment due date; and
- Details including the vendor's name and Australian Business Number (ABN).

Penalties apply to vendors who fail to comply with issuing the notice.

The vendor will still be required to complete a BAS at the end of their reporting period.

It is also important to keep in mind that the liability for the GST remains with the property developer.

Life moves on and some standards change with time... But common courtesy is something that should never become uncommon – it's all about respect.



Partner | Bob Bell

BUSINESS ADVISORY SERVICES

It's all About Respect

Purchaser Obligations

The purchaser will need to complete two online forms:

- **Form one – GST Property settlement withholding notification:** to be lodged at any time after the contract has been entered into and up until the due date for payment of the withholding amount.
- **Form two – GST Property settlement date confirmation:** to be lodged on or before the date of settlement.

The GST is to be remitted to the ATO after lodgement of form two. The ATO will notify the vendor once the purchaser has made payment and the credit (GST withheld) will be applied against the vendor's running balance account.

Exemptions

The amendments include transitional provisions which exclude contracts entered into before 1 July 2018 and settled prior to 1 July 2020.

The new rule does not apply to:

- Existing residential properties;
- Commercial or commercial residential premises; and
- New residential property created by substantial renovations.

Do you need help?

The cash flow impact of the amendments may not be felt immediately given the transitional provisions. However, they should not be ignored, and steps should be taken now to ensure that the cash flow implications for new and ongoing projects are addressed.

If the change to the GST laws are of concern for you or your client's cash flow, the team at PKF are available to assist.

BEING AN ACCOUNTANT IS NOT ALL ABOUT BURYING YOUR HEAD IN SPREADSHEETS, TAX RETURNS, FINANCIAL STATEMENTS AND THE LIKE. AS WE MOVE THROUGH THE PROFESSION WE BECOME MANAGERS, TEACHERS, ADVISERS, MENTORS, TRAINERS, COACHES – ALL SORTS OF ROLES THAT REQUIRE US TO LISTEN, TO UNDERSTAND, TO TALK, TO PRESENT – TO ENGAGE WITH OUR CLIENTS, STAFF, PEERS AND STUDENTS.

Many of us are called on to speak at pitches, presentations, functions, training sessions, and in the main, we have an attentive and respectful audience. However, it's not always the case.

At a recent charity lunch in Sydney, a crowd of around 370 were in attendance for the usual array of food, beverages, speakers, auctions and general fundraising activities. The high-profile MC became so frustrated with the complete lack of attention and constant noise from the audience that he 'lost it'. He abused the patrons, he swore, he made a fool of himself. He was subsequently suspended by the media organisation who employed him and then resigned.

The MC has paid a heavy price for his actions. But what about the actions of the audience? It was made up, in the main, of mature professionals from the financial and legal sectors, people who engage with others at a high level on a regular basis. Video taken of the MC's outburst shows members of the audience standing, walking, talking, laughing and generally having a fine and noisy time, which is fine if it's the 'right' time.

But this wasn't the right time, they were paying no attention to the MC who was attempting to move on with proceedings. The important parts of the proceedings, like hearing about the great work the charity does, raising money to be able to continue and build on that work, hearing stories of the



people who help and have been helped – things that deserve the audience's attention.

While this is an extreme example, it has become increasingly common for people at functions to effectively ignore presenters and carry on with their own conversations. The occasional comment, even a short, quiet discussion, can be OK, but anything more is just plain rude. If you're in the audience, you're obliged to respect those presenting.

If you're not interested in what they are saying, leave the room. If you need to make or take a phone call, leave the room. If you want to catch up with a colleague, do it in a break. But while you are there, show the respect that common courtesy and professional standards demand. Show the respect you would expect to be afforded if you were the presenter.

Life moves on and some standards change with time – a quick tour of the dress standards in the Members' section at Randwick races will clearly show that! But common courtesy is something that should never become uncommon – it's all about respect.

PKF Expands to Central Coast

ACCOUNTING AND BUSINESS ADVISORY FIRM, PKF, HAS WELCOMED SMITH SWAINE CHARTERED ACCOUNTANTS (SMITH SWAINE), AN EXCITING AND VIBRANT FIRM BASED ON THE CENTRAL COAST, NEW SOUTH WALES (NSW), INTO ITS NETWORK.

Smith Swaine will be known at PKF Central Coast as it is welcomed into the PKF global family. PKF is a group of like-minded, independent firms focused on providing quality service to decision makers in business.

Steve Meyn, Managing Director of PKF Sydney & Newcastle said that, "the addition of the Central Coast firm will strengthen PKF's NSW presence and offer a real alternative for Central Coast businesses. The integration makes sense from a strategy and cultural perspective whilst PKF brings valuable intellectual property, a solid reputation and a high-profile brand to the Central Coast. All in all, it's a natural fit".

Daniel Smith, Founding Partner of Smith Swaine said, "joining PKF gives us the ability to access a wider and deeper pool of expertise to meet the demands of our clients. Our clients will continue to enjoy the personalised local service we have always offered, but also benefit from access to international resources, experts in specialist areas and high-quality global connections. Our clients, our team and the firm are

excited for what the future with PKF will bring".

The Erina-based firm was established in 2013 by Daniel Smith and John Swaine who will both continue in their roles as Directors of the firm. Daniel and John have over 40 years' experience in helping small businesses achieve their business goals and taxation objectives.

For PKF Partner Andrew Beattie, the Central Coast holds a special place in his heart as that's where he hails from. He has played an integral role in pulling the deal with Smith Swaine together as it became his personal goal to bring the sophisticated capability of PKF's business advisory service and full-service offering to Central Coast businesses.

PKF operates across a number of core areas including: business advisory, audit and assurance, tax consulting, corporate finance, business recovery & insolvency, and wealth management, and is known for its innovative approach to client service.

About PKF:

Nationally PKF Australia is a Top 10 Accounting firm.

We have 80 partners and over 750 staff located in Sydney, Melbourne, Brisbane, Perth, Adelaide, Canberra, Hobart, Newcastle, Gold Coast, Tamworth, Walcha, Erina and Rockhampton.



Globally PKF International, a global family of legally independent firms bound together by a shared commitment to quality, integrity and the creation of clarity in a complex regulatory environment.

Our family consists of over 400 offices, operating in 150 countries across five regions. We specialise in providing high quality audit, accounting, tax, and business advisory solutions to international and domestic organisations in all our markets

For more information contact Sarah Scott – PKF Business Development & Marketing Manager on 02 4962 2688 or at sscott@pkf.com.au.

PKF Forensic & Risk Services rebrands as PKF Integrity

WE ARE PROUD TO ANNOUNCE PKF FORENSIC AND RISK SERVICES HAS REBRANDED AS PKF INTEGRITY. THE CHANGE IN NAME HAS BEEN MADE IN ORDER TO BETTER ENCAPSULATE THE SERVICES WE PROVIDE. WHILE OUR NAME HAS CHANGED, OUR DEDICATION TO ASSISTING BUSINESSES WITH THEIR NEEDS HASN'T. WE ARE ONE OF THE ONLY FIRMS IN AUSTRALIA THAT HAS THE EXPERTISE TO ASSIST IN ALL AREAS OF INTEGRITY MANAGEMENT INCLUDING FORENSIC INVESTIGATION, RISK ADVISORY, ASSISTING WHISTLEBLOWERS AND BACKGROUND CHECKS.

If your business has been negatively affected by a pressing internal matter, the PKF Integrity team is here to restore confidence among your employees and management, PKF Integrity is able to investigate any matter and ensure you take the right actions to resolve the issue. We offer an independent Whistleblower Hotline so that your employees know that they

have a safe avenue to report any behaviour that may damage the company, and you can be certain that the matter will remain internal.

Our expert advisory team assess a business' risk of exposure to any unethical or illegal behaviour and provides the appropriate course of action to address those vulnerabilities. PKF Integrity offers a background check service to ensure that your business is not exposed to the risk of having its reputation tarnished by an uneducated business decision.

With skilled professionals located in Queensland, New South Wales and Victoria, PKF Integrity is able to ensure businesses across Australia aren't negatively affected by any hidden skeletons.

For more information on how PKF Integrity can help your business make informed decisions about its exposure to risk, visit our <https://www.pkf.com.au/our-services/pkf-integrity/>.

Peter and Anna decided to work with PKF to give their team access to real-time information, enabling them to drive better margins and make informed decisions for their growing number of venues.



CLIENT PROFILE

A Family Affair

FOR PETER AND ANNA CALLIGEROS, OWNING AND RUNNING PUBS COMES AS SECOND NATURE. THEIR LATE FATHER GEORGE CALLIGEROS FOUNDED THE FAMILY HOTEL BUSINESS 46 YEARS AGO. PETER BECAME AUSTRALIA'S YOUNGEST EVER LICENSEE AT THE AGE OF 18 AND HAS BEEN RUNNING PUBS EVER SINCE.

The Rag and Famish, in the heart of North Sydney, was purchased by George Calligeros in 1975 and is still owned and run by Peter and his sister Anna. The group has grown to include Mount Street Terrace and Lot 50 Coffee shop in North Sydney and Trinity Bar in Surry Hills'. It's stable also includes the Bargo Hotel and The Criterion Hotel (Weston), both of which have recently been leased out. Peter also ventured to Queensland having purchased and renovated the very large Acacia Ridge Hotel which he sold off last year.

Peter is committed to continued growth, understanding the need to have the best people and expertise around him. "Gone are the days where a publican could be a jack of all trades," he says. "To get the best results and keep growing you need to use the expertise in each field and let them do their job. That means having the best chef, the best operations manager and so on, as well as PKF's leadership in the hospitality space. I looked around at my industry peers who had grown in leaps and bounds and wondered how they were managing large scale growth and still having time to focus on the little important things you need to be constantly doing in hospitality. We used to run all of our wages, invoicing and reporting in house and effectively this was starting to take up to much of our week. This is what lead me to PKF."

Working with PKF

Peter and Anna decided to work with PKF to give their team access to real-time information, enabling them to drive better margins and make informed



decisions for their growing number of venues. "Working with Mitch and the hospitality team has helped us tighten our focus. We can look at each department, each line item in the P&L to get the best results in each area of our business. It really helps highlight the areas we need to focus on and those areas that are working well. It's no longer the old school 'rule of thumb' that we used to use as publicans," Peter says.

"We no longer have to spend time lifting up kegs in search of invoices, it's all paperless,"

The Calligeros group uses PKF's bespoke Hospitality IT systems for rostering, invoicing and reporting, allowing those in venues to deliver great service, food and beverages to customers. "We no longer have to spend time lifting up kegs in search of invoices, it's all paperless," Calligeros Operations Manager Chris Glenn says.

"The structure we implemented with PKF around our monthly meetings and reporting allows us to hold our management team accountable for the performance of each business. Making a profit in any business is a numbers game,

and you need real time numbers to make informed decisions to improve and grow any business. Mitch and PKF help us achieve this," Glenn says.

The Future

Chris knows that running a good pub is about service and providing the community with what they want. "Our pubs are all about delivering great service and providing a food and beverage offering that will keep people coming back." With a rapidly changing market, new food trends and the growing craft beer scene, technology is now critical to run the venue. "To continue to deliver the best service to clients and run a profitable business, we need to be across the latest developments in all areas of the hospitality industry."

The group is continually on the lookout for new venues that would fit the Calligeros mould. "We now have the framework and systems in place to be able to grow exponentially," Peter says. Calligeros venues will remain a crucial part of a vibrant and growing section of Sydney. "And the Rag and Famish is a great spot for a lunch with clients or a craft beer on a Sunday afternoon," PKF Partner Mitch Stone says.

For more information head to www.ragandfamish.com.au

Take 5 with Mitch Stone

BUSINESS ADVISORY, PARTNER

Q What was your first job?

A A lifeguard at the Orange Olympic Pool (the best job in the world). I did pick cherries for a few days but realised pretty quickly that there were easier ways to make money.

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

A I would have dinner with Anthony Bourdain (chef, author and travel documentarian) – off the beaten track somewhere in France

Q If you were down to your last \$50, what would you spend it on?

A All on the nose of a sure thing at Randwick..

Q What do you love most about your job?

A Working with clients to improve their business outcomes. It's always great when you can

Q Finish this sentence – if I wasn't an accountant, I would be...?

A A life guard again, maybe at the beach this time.



look back and see how the changes we have helped implement have improved their business' financial results.

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PKF

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Tax Diary

OCTOBER 2018

- 22** Due date for lodgement and payment of September 2018 monthly BAS and IAS.
Due date for payment of annual PAYG instalment for 2017/18.
- 28** Last day for payment of September Quarter employee superannuation contributions.
Due date for lodgement and payment of September 2018 Quarter BAS – paper lodgements or varied instalments.
- 31** Due date for lodgement of June 2018 returns by individuals, trusts and partnerships if not lodged by a tax agent or where prior year returns were outstanding as at 30 June 2018.
Final date to appoint a tax agent for income tax and obtain ATO lodgement concessions.
Due date for lodgement of PAYG withholding annual reports including withholding from interest, dividend and royalty payments paid to non-residents.

NOVEMBER 2018

- 21** Due date for lodgement and payment of October 2018 monthly BAS and IAS.
- 26** Due date for lodgement and payment of September 2018 Quarter BAS – electronic lodgement.

DECEMBER 2018

- 1** Due date for payment of income tax for companies and super funds when lodgement of the tax return was due 31 October 2018.
- 3** Due date for payment of income tax for large/medium taxpayers, companies and super funds. Lodgement of return due 15 January 2019.
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 2019.
- 21** Due date for lodgement and payment of November 2018 monthly BAS and IAS.