



Russel Scott, Emerging Services Director

H&R Block

Regarded as Australia's leading provider of taxation services

- prepares over 750,000 tax returns each year,
- operates out of a network 480 offices around Australia
- more than 3,000 staff.

Services to Individuals: tax returns can be lodged by visiting a H&R Block office or online.

Services to franchisees & small businesses:

- Business Entity Set-up
- Book-keeping & Payroll
- Financial Reports
- Tax Services
- Business Advice
- Financial Planning

Recent initiatives by the ATO

- Single Touch Payroll (STP)
- Benchmarking
- Data matching
- Instant asset write-off

Single Touch Payroll (STP)

Employers report salary, wages, PAYG & super information to the ATO

Currently: details are reported at the end of each financial year.

With STP: details to be reported at the time of payment.

Large employers with 20 or more employees
(already reporting through STP)

Small employers with 19 or less employees
(start reporting through STP from 1 July 2019)

Single Touch Payroll (STP)

Employers report salary, wages, PAYG & super information to the ATO

Currently: details are reported at the end of each financial year.

With STP: details to be reported at the time of payment.

STP applies to:

- payments to an employee, such as salary & wages
- remuneration to a director of a company
- return-to-work payment to an individual
- termination payments & unused leave paid
- parental leave pay
- payments under the Seasonal Labour Mobility Program

Single Touch Payroll (STP)

Employers report salary, wages, PAYG & super information to the ATO

How it works:

Details are to be sent to the ATO each time you pay employees:

- Directly from STP-enabled accounting or payroll software
*(Need to check if your software provider offers STP-enabled products.
If not, you will need to find a provider who does)*
- or
- Through a third party, external service provider to report on your behalf
(Registered tax / BAS agent, or Payroll service registered tax / BAS agent provider)

Benchmarking

ATO compares business performance to similar businesses

Key benchmark metrics used by the ATO

| ATO benchmarks | Annual turnover range | | |
|---------------------------------|-----------------------|-----------------------|---------------------|
| Benchmark range | \$65,000 - \$250,000 | \$200,001 - \$750,000 | More than \$750,000 |
| Cost of sales to sales revenue | 40% - 61% | 51% - 60% | 55% - 59% |
| Average cost of sales | 50% | 55% | 57% |
| Total expenses to total sales | 73% - 84% | 85% - 90% | 90% - 94% |
| Average total expenses to sales | 78% | 87% | 92% |
| Non-capital purchases to sales | 62% - 78% | 70% - 80% | 72% - 77% |
| Rent paid to total sales | 13% - 22% | 9% - 12% | 6% - 11% |
| Motor vehicle expenses to sales | 3% - 4% | 1% - 2% | 0% - 1% |

Example: (Benchmarking applied by the ATO for businesses involved in "Book Retailing"; 27/2/19)

ATO warning: discrepancies outside industry-benchmarking norms

- *may be investigated for irregularities.*
- *may be flagged for an audit by the ATO.*

Data Matching

ATO obtains data from 3rd party sources & compares it to details lodged

ATO receives data from a range of sources:

- banks
- financial institutions
- employers
- health insurers
- government agencies

ATO matches 3rd Party information against their own data, to identify where businesses may not be reporting all income.

Data Matching

ATO obtains data from 3rd party sources & compares it to details lodged

ATO receives data from a range of sources

ATO specifically looking for:

- omitted interest & income
- employment income
- government payments
- capital gains tax from the disposal of shares & property
- employment-related foreign source income
- taxable government grants & payments
- payments to contactors in the building & construction industries
- distributions from partnerships, trusts & managed funds.

Data Matching

ATO obtains data from 3rd party sources & compares it to details lodged

Example:

ATO carried out a review on coffee shops.

- approached coffee suppliers, obtained details on coffee supplied to particular coffee shops
- from this data, calculated how many cups of coffee the coffee shops would have sold
- applied a typical price to each cup, to calculate estimated turnover of the coffee shops
- compared actual turnover reported by the coffee shop, to ATO's calculations
- audited coffee shops where there was a significant (adverse) difference.

Instant Asset Write-off

The entire cost of an asset can be written-off this tax year, up to \$30,000, instead of being depreciated over a number of years.

A great tax break for small business;
especially with many suppliers offering end-of-year promotions.

- Assets costing up to \$30,000 can now be written off immediately
(previously \$20,000 up to January 2019, briefly increased to \$25,000 up to 2 April 2019)
- Available for businesses with turnover up to \$50 million
(previously only available for businesses with less than \$10 million turnover)

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Examples:

- Cash registers and other POS devices
- Delivery vans
- Fittings and fixtures
- Plant, equipment and tools
- Motor vehicles
- Computers, laptops and tablets
- Security systems
- Accounting software
- Office furniture

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