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Time – How Are You Going Managing Yours?

A recent article from the CPA Australia newsletter, *In The Black*, on the topic of Time Management caught my attention. Time is no doubt our most precious resource, and the older we get, the more precious it becomes. So how good are you at managing yours?

Last year's COVID shutdown gave many a new appreciation for time. The suspension of sporting activities and the stripping back of the social calendar provided some with a new found freedom from jam-packed schedules, while others working from home struggled in delineating between work and pleasure, often working longer hours, perhaps less efficiently.

So what do the experts have to say?

In the CPA Australia article, productivity experts Kate Christie and Donna McGeorge make the point that mindset is the key to managing time more effectively, providing the following helpful tips for effective time management.

Invest your time wisely

Christie makes the point that time is the most precious of all our resources, so we need to treat it as such. She says "like our money, we need to invest our time for the greatest possible return. Think about where you want to invest your time for the day, and where you will get the biggest bang for your buck."

Plan

McGeorge highlights the importance of planning ahead. She says "Don't wait to get to work to decide how to spend the best two hours of your day. Your brain continues to work while you're asleep, so if you have decided what you need to do the next day, you can wake up ready to hit the ground running."

She also makes the point that we should treat our brains like we would our wardrobes and bookshelves – stuff any of them to the point of overflowing, and it becomes more difficult, and time-consuming, to get what we want out of them. She believes 80 per cent capacity is ideal, and sustainable, because it leaves us room to cope with the unexpected.

Design your day

Rather than letting other people's agenda dictate our day, both McGeorge and Christie advocate conscious planning of your workload by breaking it into selective batches. The key is to identify those hours of the day when you work most effectively, and to reserve them for your hardest and most important high-value tasks. High-value tasks,

says Christie, are those that reflect your skill level and are either revenue-generating or cost-reducing. Low value tasks tend to be below your skill level, cost-inducing or easily delegated or rejected.

Beware of time thieves

The article makes the point that our biggest time killers are multitasking and interruptions. According to Christie, if you have your email alerts continually pinging, or if you toggle between screens or projects, you are probably not working at your most productive. She goes on to say that in fact, multitasking can reduce our productivity by up to 40 per cent.

Christie's advice is to allocate blocks of time to check in on all those "I want" or "I need" emails, rather than monitoring them all day. "Emails are someone else's to-do list," she says – how true. In short – learn to say "no" to interruptions.

Allow time for reflection

Just as it is important to start the day strong, McGeorge says we should also give attention to the way we finish our day. She recommends setting aside at least 30 minutes at the end of the day to reflect on what you have accomplished, plan how you will use your protected hours and consider whether there is anything you can do now to alleviate the pressure in the morning – even choosing what to wear the next day.

Much has been written over the years about Time Management. It's good to stop and think about these things; to work smarter and wiser. As Benjamin Franklin said, "lost time is never found again".

Joel Hernandez
Director – Audit, Tax and Business Services

Transitioning To The Removal Of Special Purpose Financial Statements

A clash of international accounting terminology has given the Australian Accounting Standards Board a reason to remove the concept of Special Purpose Financial Statements from the Australian Accounting Standards. This has been long-discussed, but is now becoming reality.

From 1 July 2021, **for-profit private entities** required by law (such as the *Corporations Act 2001*) to prepare financial statements complying with the accounting standards will need to prepare financial statements compliant with all of the accounting standards including consolidation.

If eligible, those general purpose financial statements may comply with the Simplified Disclosures of AASB 1060 (SDS). SDS reduces the required disclosures and replaces the Reduced Disclosure Regime (RDR). It aims to reduce the reporting burden, but SDS will still be a significant adjustment for most entities that have been preparing Special Purpose Financial Statements.

What about **not-for-profit entities**?

Not-for-profit entities preparing RDR statements will need to transition to SDS. As SDS is less onerous, early adoption of AASB 1060 is an attractive option.

Special Purpose Financial Statements will also be removed as a reporting option for not-for-profit entities but when and how is still being determined.

One of the major problems is that various pieces of

legislation require very small not-for-profit entities to prepare financial statements in accordance with the accounting standards. To reduce the potential cost of compliance, tiers of reporting thresholds are being proposed. It is expected that small not-for-profit entities will be able to prepare simple cash accounts, that large entities will be required to prepare General Purpose or SDS accounts, and medium-sized entities will have a hybrid option.

For the next few years, the 'reporting entity concept' will continue to apply. Special Purpose Financial Statements are still a valid option if it is reasonable to expect that there are no users dependent on General Purpose Financial Statements for decision making. If there are dependent users, then General Purpose Financial Statements (including the SDS option) should be prepared.

We are able to assist you in determining the implications for your organisation, so feel free to give us a call.

Claire Harris
Manager – Not For Profit Specialist

"Worry weighs us down; a cheerful word picks us up"

Proverbs chapter 12 verse 25

COVID-19 Home Office Concessions Extended to 30th June 2021

On 17th December 2020 the ATO extended the home office 80 cents per hour shortcut method to 30th June 2021, for taxpayers who worked from home during the 2020/21 year.

The fixed rate of 80 cents per hour covers all the following running expenses:

- power, light and heating
- cleaning costs
- the decline in value and repair of home office items such as home office furniture and furnishings, phone, and computer or laptop devices
- phone and internet expenses
- stationery and computer consumables

Each individual working from home will be entitled to claim 80 cents per hour, irrespective of how many people live in the same house.

If you decide to use the shortcut method, it will be very important to keep a record of the hours worked (eg a timesheet, roster, diary or similar document).

You may, of course, continue to use the standard 52 cents per hour, or the actual cost deduction methods; the shortcut method is merely an alternative that has been offered as a concession in the current climate.

If you need more information, or help in determining which claim is best for you, please contact our office.

Winding-Up: Simplifying Small Business Insolvency

On 1 January 2021, new laws came into effect that introduce a new, simplified debt restructuring and liquidation framework for small business. Drawing on key features of the Chapter 11 bankruptcy model in the United States, the new system aims to speed up the insolvency process, reduce costs and where possible, restructure to help the business survive. Where survival is not possible, it's hoped that the quicker insolvency process will deliver greater returns for creditors and employees.

Under previous insolvency laws, the insolvency process treated all businesses the same regardless of size. The new laws step away from the 'one size fits all' model. The simplified debt restructuring and liquidation framework is available to incorporated entities with liabilities of less than $1 million (around 76% of insolvencies are businesses with less than 20 employees) with non-complex debt. The liquidation framework also requires that a company is up to date with its entitlements and tax obligations.

The new laws are intended to help manage the tide of insolvencies expected now that the temporary insolvency related relief for financially distressed businesses has ended (the COVID-19 relief measures which protected directors from insolvent trading and raised the threshold for action by creditors, ended on 31 December 2020.) There is no question that the temporary measures in tandem with the stimulus measures such as JobKeeper have kept some 'zombie' businesses afloat. In November 2020, 306 businesses entered

external administration compared to 748 in November 2019. In general, the number of insolvencies has dropped by around 200 to 300 each month since March 2020 compared to 2019 figures.

Debt restructuring

For financially distressed but viable companies, simplified debt restructuring is available. Under this process, the directors resolve that the company is insolvent, or is likely to become insolvent at some future time, and that a small business restructuring practitioner should be appointed. Once a practitioner has been appointed, the directors generally have 20 days to develop a plan that sets out an approach to repay the company's existing debts. Only the company directors can propose a debt restructuring plan to the company's creditors and the creditors have the opportunity to vote on the plan electronically or virtually (previously creditors had to be physically present or appoint a proxy).

During this time, the company directors retain control of the business - which is very different to the previous laws where the administrator took control of the company during voluntary administration.

To prevent the new laws being abused by phoenixing, a company is not eligible to use the debt restructuring process if a director of the company or the company itself has previously been through this process or the simplified liquidation process. The new laws are also not available where the company has already entered into an external administration process.

Streamlined insolvency

If a company is not viable (the company will not be able to pay its debts in full within 12 months), the directors can resolve to voluntarily wind up the company and access the streamlined insolvency process. Once the resolution has been passed, the directors have five business days to provide the appointed liquidator with a report on the company's business affairs and a declaration that the company meets the eligibility criteria to access the simplified liquidation process.

If the liquidator agrees that the company qualifies for the simplified liquidation process, the creditors are advised of the process that will be adopted. The creditors can reject the approach if 25% or more by value, oppose the process.

Streamlined insolvency is designed for companies with relatively simple affairs and is limited to those that have liabilities under $1 million and are up to date with their taxation obligations. It uses the existing insolvency framework but simplifies the interaction with creditors and ASIC. For example, outside of the simplified system, the liquidator may convene a creditor's meeting at any time to keep creditors up to date, find out the creditor's wishes, or to approve the liquidator's fees. The simplified system removes the obligation for a liquidator to convene these meetings with communication managed electronically. And, under the simplified systems the oversight of creditors is limited, creditors for example cannot appoint a committee of inspection to monitor the conduct of the liquidation.

There are strict timings that apply to the insolvency process. If you are concerned that your business will not be able to meet its obligations, please contact us as soon as possible and we will review the situation for you. Where assistance is required, we can refer you to a qualified insolvency or small business restructuring practitioner.

Single Touch Payroll Concessions To End

Single Touch Payroll (STP) is an Australian Government initiative where employers report employees' payroll information to the ATO through STP-enabled software each time there is a pay. Payroll information includes:

- salaries and wages
- pay as you go (PAYG) withholding
- superannuation.

STP started on 1 July 2018 for employers with 20 or more employees and 1 July 2019 for employers with 19 or fewer employees. A number of concessions have been provided since its introduction, including a quarterly reporting option for "micro" employers (ie employing 1-4 people) and a temporary exemption from STP for businesses which only employ closely held individuals, such as business owners and their family members.

These concessions will come to an end on 1st July 2021, unless there are exceptional circumstances for an employer, so now is a good time for such businesses to start getting ready for STP by considering upgrading their accounting software, or purchasing suitable reporting software.

We are able to assist you with suitable options, so feel free to give us a call. The ATO also has an STP product register, which sets out no and low cost STP software products suitable for small (5 to 19 employees) and micro employers.

"We make a living by what we get but we make a life by what we give."

Winston Churchill

Smaller Charities To Benefit From Reduced Red Tape

On 15th December 2020, Federal Treasurer Josh Frydenberg and Assistant Minister for Finance Zed Seselja, issued a joint press release following an agreement signed by all Federal, state and territory treasurers.

The release heralded an impending reduction in financial reporting requirements for Australian charities hit hard by the impacts of the COVID-19 pandemic,

The government recognises that inconsistent and outdated regulations across jurisdictions create an estimated regulatory burden of $13.3 million a year for the charitable fundraising sector. The recent Royal Commission into National Natural Disaster Arrangements highlighted the crucial role charities play in disaster recovery efforts, but noted the complexities of operating across jurisdictions with distinct regulatory schemes.

The Council on Federal Financial Relations (CFFR) agreed to develop a framework by mid-2021 to lift the financial reporting thresholds to benefit over 5,000 small and medium charities, allowing those charities to redirect resources to help vulnerable Australians. Over 3,000 charities will no longer need to produce reviewed financial statements, and approximately 2,000 charities will no longer be required to produce audited financial statements, all of which will result in significant annual savings.

These changes were recommended by an independent review of the ACNC Legislation, *Strengthening for Purpose: Australian Charities and Not-for-profits Commission Legislation Review 2018*, to reduce the regulatory burden whilst retaining the transparency required to maintain public trust and confidence. At a minimum, all charities registered with the ACNC must produce an annual information statement which contains financial information as well as information covering their governance and activities.

The reforms will simplify financial reporting requirements and maintain transparency to ensure charities can dedicate more of their time and resources to assist vulnerable communities.

Disclaimer

The contents of this publication are general in nature. No person should act on the information contained without first seeking specific professional advice.

Insights

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Bank Credit Ratings – How Safe Is Your Money?

Bank credit ratings represent an assessment of the likelihood that a bank may default on its debts or go out of business. They provide consumers, government, investors, and others with an assessment by third parties into the reliability and the level of risk of financial institutions.

Credit rating agencies such as Fitch Ratings, Moody's Investors Service, and Standard & Poor's issue short-term and long-term credit ratings for banks in the form of letter grades with, for example, an AA or AAA rating being better than a BB or BBB rating. Such ratings may be further refined. For example, Moody's ratings may add 1, 2, or 3 to the letter rating, and Standard & Poor may add + or -. Generally an AA+ is equal to an Aa1 and is at the top end of the AA or Aa category. An AA- is equal to an Aa3 and is at the lower end of the AA or Aa category. The scales they use are slightly different but there are significant similarities. Of course, an AAA or AA rating doesn't guarantee a bank won't default; it just means that these agencies don't consider a default likely. There is another rating called a non-investment grade rating—also known as a "junk" rating—which goes to banks that are troubled.

While depositors can often be concerned about the impact of bank credit ratings, borrowers can also be affected. For example, if a bank's creditworthiness goes into "junk" territory or even slumps for a while, borrowers with open-ended loans such as a line of credit could be adversely impacted. This is because when a bank is troubled, it needs to improve its liquidity by preserving capital and therefore may have to call-in its credit lines, resulting in reduced borrowing power for its customers.

Bank credit ratings are one tool that consumers and investors can use to judge financial institutions, but they are not absolute measures of a financial institution's reliability. History has shown that unforeseen circumstances such a global financial crisis or a pandemic can affect the market's confidence in financial institutions. The one bank rating consumers should always pay attention to is a junk rating. Usually, this means a bank is in a great deal of distress, and it is safer to stay away.

The Australian major banks are considered to be strong, with current long-term ratings of Aa3, AA- and A+. Australian bank depositors are also able to take advantage of the Financial Claims Scheme (FCS) to reduce the level of risk on their bank deposits.

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Broadly, the FCS was introduced in 2008 following the Global Financial Crisis to help sure-up confidence in the banks, by the government guaranteeing deposits of up to $250,000 per depositor, and per Authorised Deposit-taking Institutions (ADI) – essentially deposits in banks and building societies. If a depositor has all their deposits with one ADI they will get cover of up to $250,000 only, whereas if they spread their deposits among various ADI's, they receive cover of up to $250,000 per ADI. It is important to note that the protection is per ADI, not per bank. Spreading deposits among subsidiaries of, for example, one of the major banks, will only give you access to one lot of $250,000 of protection.

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Build, Buy Or Renovate?

A new build, a renovation or a well-established home in good condition. We explain the pros and cons of each.

Planning and research

If you're planning an extensive renovation with plenty of structural changes, it may be cheaper to start from scratch or buy elsewhere. You also need to consider the age of the home, its location and the lifestyle offered as part of the decision making.

To kick-start your research, check out the Archicentre website for their Cost Guide, which can help you calculate the cost of a home improvement project, a renovation, a new home or a small property development. Archicentre is the building advisory service for the Australian Institute of Architects. Costs can vary and it's a good idea to keep in mind that renovation costs could blow out due to unforeseen problems that could arise along the way.

One of the advantages of building a new home is you may ask your builder for a 'fixed price contract'. Once you have a fixed price, you can then compare it to the cost of moving into a bigger home. This will include the difference between the price of the bigger home and your current home and the transfer costs such as stamp duty, legal fees, removalist costs, pest and building inspections and insurance.

Budget for renovations

A renovation is often the right choice if you're happy with your current property and locality and don't want to move. As an added plus, a renovation won't involve stamp duty charges and there are no real estate agent fees to contend with. Many people, however find that renovations can take longer to complete than originally planned - and also cost more. Securing a number of building quotes and then keeping a lid on costs once the renovation gets underway can produce the best financial outcome for homeowners.

"Money frees you from doing things you dislike. Since I dislike doing nearly everything, money is handy"

Groucho Marx

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Good News On Superannuation Caps

There are two measures that are used to limit the amount of money you can have in super, and these are set to change on 1 July 2021.

The Total Super Balance

The Total Super Balance (TSB) determines how much money you can contribute into super with after-tax dollars. These contributions (commonly called "non-concessional" contributions) are normally limited to $100,000 per annum or $300,000 under the "bring-forward" rule.

The actual amount you can contribute is subject to a number of conditions including the value of your combined accumulation and pension accounts. Currently individuals with balances of $1.6 million or more are precluded from making such contributions.

The good news is that the TSB cap will increase to $1.7 million from 1 July 2021, meaning that individuals with a TSB less than $1.7 million at 30 June 2021, will generally be eligible to make a non-concessional contribution for the year ending 30 June 2022 onwards. This will help them increase the amount that is in the super system, and therefore taxed at concessional rates of tax.

Transfer Balance Cap

The TSB cap limit sits beside another cap limit called the Transfer Balance Cap (TBC). This cap currently limits the amount of superannuation that can be transferred to a tax-free pension (the earnings on which are tax-free in the super fund) to $1.6 million. The TBC applies to the combined pension balance (for individuals with multiple accounts) and includes a notional value for defined benefit pensions.

The good news here is that on 1 July 2021 indexation will be applied to this cap, increasing it to $1.7 million, thus allowing a greater amount to be transferred to a tax-free pension. Clients who have yet to commence a pension will be able to access the full indexation benefit, while those who have already commenced a pension (and not fully utilised their $1.6 million TBC), will receive a partial benefit. The following example helps to illustrate how the new cap is worked out:

Maddy commenced an account based pension on 1 May 2018 with $1 million of super money. At that time she used 62.5% of her TBC (ie $1 million divided by $1.6 million). After 1 July 2021 she will be able to transfer up to another $637,500 (37.5% of $1.7 million) to a tax-free pension.

As you can probably tell, this has now become an increasingly complex area and while this article provides a general understanding, it is best to seek advice from your RDL financial planner if you intend to start a superannuation pension or make a non-concessional contribution.

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Five Signs That You Need To Get Control Of Your Super

While consolidating super might sound like an easy one to put off, sorting it could mean more money to play with in retirement. If you're someone who scratches their head at the thought of lost super or consolidating super, it might be time for you take control.

You may need to sort your super if:

- You have a to-do list which includes organising your superannuation, which has been a recurring item for longer than you can remember.
- When someone mentions superannuation, asks you how many accounts you have, or what your balance is, you find yourself lost for words.
- Your paperwork includes unopened superannuation statements, or your inbox has unopened emails containing super statements.
- Each time you go to log into one of your super providers you have to click 'Forgot Password' only to then remember you have forgotten your Username.
- When you change jobs and are asked to nominate a superannuation fund, you don't know the name of it and opt to go with your employer's default account (again).

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If any of these sound familiar, it's time to take control of your superannuation. Here are some simple steps to get you started.

Step 1: find lost superannuation

It can be a good idea to track down lost superannuation money or accounts you may have forgotten about, as having multiple accounts may result in paying more fees than necessary. You could also miss out on money in retirement, not to mention, keeping track of multiple accounts might be more difficult and create more admin for you.

Step 2: consolidate your super into a single account

Once you know where all your superannuation is, you may like to consider consolidating (or rolling over) all the different balances into a single account. This potentially doesn't just save on account keeping fees, it means you could easily keep track of your super throughout your working life. Before transferring different accounts into a single one, it is a good idea to check with your other funds to see if there are any exit fees for moving your benefit or, other loss of benefits, such as insurance.

Step 3: start with a Superannuation standard choice form

Most super funds have a downloadable form that you can print off to submit to your employer letting them know that you want your super paid into your existing fund rather than your employer's nominated super fund (typically known as a Superannuation standard choice form). This way all of your super is kept in the one place without having to open another account, which could help maximise your benefits.

> **"Investing should be more like watching paint dry. If you want excitement go to Las Vegas"**
>
> Paul Samuelson

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