SUPERANNUATION & SUPER GUARANTEE CONTRIBUTIONS

Ryan Naughton| Byfields Director

Welcome to the new world of live reporting and more importantly the repercussions of such.

With the advent of Single Touch Payroll Reporting and the requirement to pay your employees superannuation via a recognised superannuation clearing house, the ATO now have up to date information on how much superannuation you are required to pay your employees and when those payments are required to be made.

The logical next step for the ATO by implementing this real time data catching technology was always going to be to use it to catch those who have been late on their payment and lodgement requirements.

We are now starting to see the ATO actively ramp up their activity in this area, with many late lodgement notices being issued in this area, and they treat late super payments very seriously!

So what are the repercussions if you do not pay your employees superannuation on time?

- Super Guarantee is the amount of super calculated on your employees wages. It is currently at a rate of 11.5% but will be moving to 12% come 1 July 2025.
- For small businesses this amount is currently due to be paid on the 28th day of the month after the quarter ends (changes coming July 2026).
- If you are late with a payment (even 1 day late) the ATO expect you to lodge a super Guarantee Charge (SGC) statement with them, notifying them of your late payment.
- The Super Guarantee Charge (SGC) is then calculated by adding together the amount of super missed + an administration fee + a nominal interest charge.

- **Important Note –** The Interest they calculate is currently set at 10% and is calculated from the start of the quarter through to when the SGC statement is received by the ATO. Please note that the interest amount continues to calculate even if the super payment has actually been made. The critical date is the lodgement date of the SGC statement not when the late payment was actually made! This doesn't make logical sense to most of us but it is how the ATO are calculating the charge.

- The initial late super payment and the additional SGC amount you are required to pay are not tax deductible to your business.

So in a real life example you could potentially only miss paying your super requirements late by say 2 days. However if you do not notify the ATO and lodge an SGC statement, the ATO could then pick up this discrepancy in an SGC audit (say 2 years later) and have the ability to charge you with interest for that whole 2 year period (not just the two days you were actually late for) plus additional penalties and charges.

This is because you did not lodge the initial late form!

To rub salt into the wound you would then also not be able to claim the super you have paid as a tax deduction for that quarter and you will also not be able to claim the additional penalties you will be charged with as a tax deduction – That's a big penalty for being 2 days late with a payment!

So what are the takeaways:

- Always pay and lodge your super on time!
- If you need to, get a payment plan for your GST, but always pay your super on time!
- Ignorance will not count as an excuse
- Pay your super early as the fund actually needs to receive the money by the 28th (not just paid by you but received by the fund) before the due date
- If you are late for any reason, lodge the SGC form straight away and fess up, because it is too easy for the ATO to data match any discrepancies these days and the penalties are too high!

Last point – Be aware that the lodgement date for the December BAS is usually the 28th of February, but the super lodgement date for that quarter is still the 28th of January. So don't let the December quarter catch you out.

Please contact your accountant to discuss any of the above and how it may directly affect your business activities.

BUYING OR SELLING A BUSINESS

Gordon Richards| Byfields Director

Buying or selling a business can be one of the biggest business decisions you make in your lifetime. It comes with so many things you need to think about and consider. Doing it the right or wrong way could make the difference of hundreds of thousands of dollars (and a lot less stress!)

First, let's discuss the overall process of buying or selling a business. Every business is unique, requiring different considerations. What works for one person may not suit another, so we need to consider factors of every individual circumstance. Generally, however, we will follow these steps:

1. Identify a Business to purchase. This may be an add-on to your existing business, or something completely new that you see an opportunity in.
2. Initial discussions and a preliminary review. For this step, we will need to examine various information (both financial and non-financial) provided by the seller. It will give you an indication of whether the price the seller is seeking is fair, or way off the mark.
3. Make an Offer.
4. Negotiations with the seller. This may be as simple as negotiating the asking price, but may (and should) also include negotiating all the conditions around the sale.
5. Acceptance of offer.
6. Due diligence and Conditions Precedent. This isn't always needed but is important to consider for any purchase.
7. Settlement .
8. Conditions Subsequent.

One of the pivotal moments in the buying or selling process is the negotiation phase. Effective negotiation requires a clear understanding of both the value of the business and your own goals. At Byfields, we stress the importance of preparation – knowing your bottom line, identifying potential deal-breakers, and understanding the motivations of the other party can significantly influence the outcome. Whether you're looking to secure the best purchase price or optimise the terms of a sale, having a well-defined strategy is essential. In addition, clear communication is key.

We recommend establishing open lines of dialogue that foster trust and enable smoother negotiations. Remember, successful negotiations are about finding common ground and creating a win-win scenario. With our guidance, you'll be equipped to navigate this challenging yet rewarding aspect of business transactions confidently.

One of the above steps that often gets overlooked is the importance of due diligence. It's essential to thoroughly examine all aspects of the business before finalising any purchase agreements. A due diligence serves as a risk management tool, ensuring you're fully aware of the business's financial health, liabilities, and potential growth opportunities. It's a detailed process that involves reviewing financial statements, legal contracts, customer agreements, and any outstanding debts or obligations. Another critical aspect is assessing the competitive landscape and market position of the business. This can reveal insights into how well-positioned the business is to capture future growth. Furthermore, cultural fit, particularly for those acquiring a business, is often underestimated. The integration of teams, alignment of business goals, and shared values can significantly impact the transaction's long-term success. A due diligence can be as long as a piece of string. Sometimes clients are happy to go without one, however we generally recommend one is done in some form or another.

Getting your entity structuring right from the start is vital. As much as people think it's easy to change structures after the fact, it's not. It comes with lots of head-aches – and costs! Structuring is a separate article on its own, however the things to think about when choosing your structure are:

- Asset protection
- Tax minimisation
- Succession
- Flexibility
- Interaction with Banks, Customers and Suppliers.

There are also different ways to buy or sell a business. This includes buying / selling the shares or units vs buying / selling the assets (stock, plant & equipment and goodwill). Again, no one size fits all and every case is different, however the general pros and cons are as follows:

	Pros	**Cons**
Buying/ Selling Business	Simple. Tax Deductibility.	Costs for set-up. New Contracts, vendor numbers etc. Getting funds into personal name is harder. Duty can be applicable. GST can be applicable.
Buying/ Selling Shares	No Duty. No GST. Same ABN, Bank Account etc.	Hidden Skeletons. Tax concessions we use can be more complex. Balance sheet clean-up required.

When selling your business, you want to maximise the price you are likely to receive, and this takes careful planning and preparation. It's not something that happens overnight. Generally, businesses are valued on a multiple of adjusted historical profits. We often look back up to 3 years of profits and it is therefore extremely important to maximise the profitability of the business for at least the 3 years prior to any sale.

Any buyer will also want to come into a business that has minimal to no reliance on the individual seller. It is therefore important to make yourself redundant in your business, so the business is not reliant on you to continue operating. This will likely mean upskilling your existing staff, or simply ensuring that the business has the relevant systems and processes in place that can be followed if you are not there.

In conclusion, buying or selling a business is a complex process that requires careful consideration and expert guidance. At Byfields, we have the experience, knowledge, and resources to support you throughout every step of the transaction. Whether you're a buyer looking for your next opportunity or a seller ready to move on from your business, we're here to help you achieve success. Contact us today to learn more about our services and how we can assist you in maximizing the value of your business. We look forward to working with you and helping you achieve success in the ever-changing world of business!

CONSIDERING AN ASSET PURCHASE

January is a great time to get away, take stock of a great year and consider the year to come. At this time we often see clients making big investment decisions that will set them up for the coming year, coming decade and intend to provide for their family's future.

As these significant investments will hopefully be in the family for generations to come, it is absolutely essential to discuss your thoughts, ideas and plans with your accountant well in advance to ensure the investment is structured correctly, not only for immediate and short-term tax benefits but also for future significant capital gains and succession events.

A couple of quality discussions with your accountant can save you hundreds of thousands or millions of dollars in coming years, as well as simplifying succession and reducing the family disharmony when assets cannot be transferred as desired.

IMPORTANT UPDATE: ATO INTEREST CHARGES SET TO LOSE TAX DEDUCTIBILITY

Eamonn Lanagan| Byfields Director

Interest is a key expense of carrying on a business and borrowing allows you access to additional opportunities which may have been otherwise out of reach. It then follows that because the income will be taxable, the interest used to earn the income should be tax deductible.

A recent Government announcement aims to end the deductibility of interest charged on ATO accounts, effectively treating it as a fine. Currently, general interest charges (GIC) and shortfall interest charges (SIC) are deductible, but this is set to change on July 1, 2025, pending legislation being passed.

Current Deduction Rules for GIC and SIC

GIC and SIC apply to overdue tax obligations or errors in self-assessment that result in underpaid taxes. Currently, entities can deduct these interest payments. However, a December 2023 announcement set a deadline for these deductions. Starting in the financial year on July 1, 2025, deducting interest charges levied by the Australian Taxation Office will no longer be allowed.

Bank or non-ATO interest on borrowings used to pay tax debts related to running a business is currently deductible (per Taxation Ruling IT 2582), but this does not apply to individuals not operating a business.

What is the Governments Rationale for These Changes?

This policy change is expected to increase government revenue by $500 million over four years, concluding in 2026–27. By eliminating these deductions, the government intends to encourage accurate tax assessments and timely payments, ensuring fairness among both individuals and businesses that consistently meet their tax responsibilities.

In practice, pushing the financing obligation back to the taxpayer and reducing their working capital.

What Should You Do if You Have Outstanding Debts?

If these measures pass into law, prompt action is essential to benefit from the current deductibility rules for GIC and SIC. Paying off outstanding GIC/SIC sooner rather than later is advisable. It's important to note that GIC currently stands at 11.38%, and if not deductible and, depending on your tax rate, could effectively be a rate of 15-16%.

Paying off ATO interest charges now could mean a higher rate in the short term, with the possibility of refinancing to a more competitive rate after 12-24 months in some cases. Acting before July 1, 2025, allows you to claim available deductions.

If you have outstanding GIC or SIC amounts, immediate action is important. Your Byfields Accountant can help you determine the best plan for your situation.

UNLOCKING GROWTH THROUGH BENCHMARKING

Glenn Briggs| Aglytica | National Business Development Manager

As an agricultural business owner, understanding how you measure up against competitors can be a key to unlocking growth, or unrealised potential in your business. Benchmarking is a process that allows you to compare your performance across key metrics with others in your industry, providing valuable insights into areas where you can improve.

By inputting your financial, cropping, livestock and machinery data, you can identify opportunities to enhance efficiency, reduce costs, and boost profitability. For example, comparing your business's financial health with industry standards can help you pinpoint where competitors are performing better—whether it's in managing expenses, increasing water use efficiency, yield, or increasing the efficiency of your machinery.

Benchmarking can also serve as a guide for setting realistic goals and identifying best practices in your business. Whether you're aiming to increase your bottom line, or streamline operations, benchmarking offers a clear path to informed decision-making.

AGLYTICA

At the end of the day, benchmarking helps you see where your business stands and how you can make strategic improvements.

By embracing this powerful tool, you'll be able to drive success, improve your competitive edge, and make decisions with confidence.

As an agriculturally focused software business Aglytica has the ability to bring the power of your data to our benchmarking platform. Entering your data through a secure online questionnaire you can compare your performance against our secure annoymised database with a small investment in time and money.

For more information please visit https://www.aglytica.com/individual-farmers or contact Glenn Briggs at Aglytica on 0438 976 910

UNDERSTANDING IFAS, OVERTIME, FLAT RATES, AND SUPERANNUATION OBLIGATIONS: A COMPREHENSIVE GUIDE FOR EMPLOYERS

Danielle McNamee| ProcessWorx | Managing Director

ProcessWorx HR & WHS

Navigating overtime, flat rate payments, and superannuation obligations can be challenging for employers, especially when balancing legal requirements with business efficiency. Missteps in these areas can lead to costly penalties and compliance issues, affecting both employee satisfaction and financial outcomes. This guide explores when overtime rates apply, the role of Ordinary Time Earnings (OTE) in superannuation calculations, and how Individual Flexibility Arrangements (IFAs) can help employers manage costs while keeping employees fairly compensated. By understanding these concepts, employers can develop a more streamlined, compliant, and employee-friendly payment structure.

Overtime

Overtime is work performed by an employee outside the ordinary hours specified in an award or enterprise agreement. Examples include:

- hours in excess of the maximum daily or weekly ordinary hours of work,
- hours worked outside a part-time employee's agreed number of rostered hours, and
- hours performed outside the spread of ordinary hours.

It is essential for employers to understand their applicable award terms or enterprise agreement term to apply them appropriately.

Payment Types

Ordinary Time Earnings (OTE): includes payments made for ordinary hours of work, including bonuses, commissions, and shift loadings. Employers are required to use OTE to calculate the minimum superannuation guarantee (SG) contributions for eligible employees.

Salary or Wages: is remuneration paid to employees for their services as employees. While similar to OTE, salary and wages cover a broader range of payments, including overtime.

The Superannuation Guarantee Ruling (SGR) 2009/2 uses the following diagram to illustrate the relationship between OTE and salary or wages:

The Australian Taxation Office (ATO) provides guidance on which payments require superannuation contributions, with the following distinctions:

Overtime			
Payment	**Consider as a salary or wages?**		**Included as OTE?**
Overtime hours over and above the ordinary hours stated in an award or agreement	Yes		No- super contributions are not required for these hours
Overtime where the ordinary hours of work are not stated in an award or agreement, or not separated from other hours	Yes		Yes- super contributions are required for the total hours worked

IFAs

An IFA is a written agreement between an employer and employee that varies the applications of certain award terms. Both parties must genuinely agree to the terms, and an employee cannot be forced to sign an IFA. IFAs allow for flexibility, varying clauses like working hours, overtime rates, penalty rates, allowances, and leave loading. To enter into an IFA an employer needs to ensure the employee is better off overall. An IFA cannot be used to under cut Award terms. An IFA cannot be backdated and is effective on the date agreement was made or at a future date agreed upon by the employee.

Paying a Flat Rate under an IFA

A flat rate under an IFA simplifies payroll by consolidating some or all of an employee's award entitlements into a single hourly rate. This can streamline administration, particularly when the flat rate is higher than the award rate and covers entitlements such as overtime, penalty rates, and allowances.

However, employers must ensure that paying a flat rate does not reduce or remove any entitlements. The flat rate must leave the employee better off overall than under the award, which is assessed through the Better Off Overall Test (BOOT). This test ensures that the flat rate sufficiently compensates for all award entitlements. It can be complex, particularly if the rate includes additional components such as overtime or penalties. The IFA must clearly state that the flat rate compensates for additional hours worked beyond ordinary hours, but it does not alter the definition of what constitutes ordinary hours for SG purposes.

Since minimum pay rates in awards change frequently, typically annually, employers are required to review and adjust flat rates accordingly to ensure continued compliance with the BOOT. Employers should also ensure that the flat rate accounts for all the entitlements specified in the relevant award, especially if these entitlements are not being paid separately. This includes considering the full scope of hours the employee is expected to work.

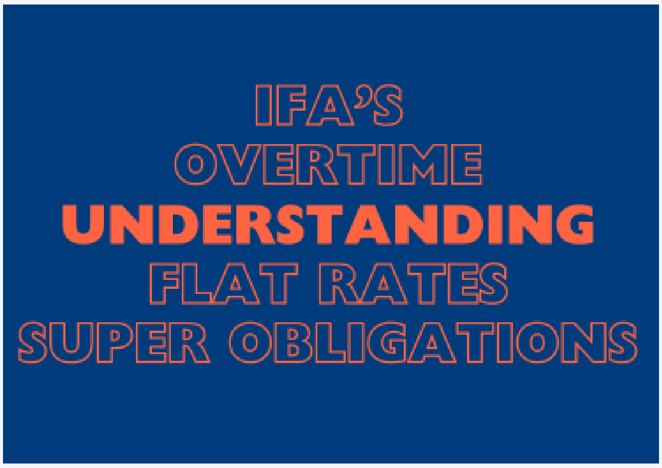
To avoid underpayment risks and potential penalties, regular reviews of hours worked, and flat rate compensation are crucial. If the flat rate does not adequately cover entitlements, such as overtime or penalty rates, employers may face legal action from employees or Fair Work Australia. The IFA should explicitly confirm that the flat rate includes the necessary entitlements as outlined in the award, helping to safeguard both the employer and employee from disputes.

Calculating Superannuation for Employees Working Overtime under an IFA

SG contributions are generally based on OTE, typically including only ordinary hours and excluding overtime. If ordinary and overtime hours are clearly separated in an employment contract, IFA and on payslips, super contributions apply only to ordinary hours. For instance, if an employee works an average of 50 hours per week which comprises an average of 38 ordinary hours with the remaining 12 hours worked being overtime, only the 38 ordinary hours are included in SG calculations.

The SGR 2009/2 indicates that if a contract explicitly separates ordinary hours from overtime, SG contributions apply solely to ordinary hours. However, if no distinction is made and a flat rate covers all hours, the ATO may treat all hours as ordinary for SG purposes.

When ordinary and overtime hours are blended with a flat rate, SG contributions may be required on all hours worked. Employment agreements and payslips should clearly distinguish ordinary hours from overtime hours to ensure SG contributions are calculated only on ordinary hours.



Review and Adjustment of IFAs in Light of Legislative Changes

Over time, changes in business needs, employee circumstances, or award/registered agreement entitlements may render an IFA impractical.

IFAs should be reviewed at least annually to ensure employee entitlements under the IFA meet or exceed those under the relevant award or agreement. This is particularly important if:

- an employee is promoted or moves to a new classification,
- award terms and clauses are updated,
- a junior employee has a birthday, affecting entitlements,
- pay rates are updated annually in July under awards, or
- wage increases occur under a registered agreement

Employers should schedule regular discussions with employees to confirm that the IFA continues to meet both parties' needs.

By accurately distinguishing between ordinary and overtime hours, correctly applying superannuation obligations, and ensuring IFAs leave employees better off overall, employers can build fair, efficient, and legally compliant pay structures. Regularly reviewing agreements, pay rates, and entitlements is essential to avoid underpayment risks and ensure that employee agreements remain aligned with business needs and legislative updates.

WORK EXPERIENCE AT BYFIELDS

Byfields is always looking to provide on the job learning and mentoring to those studying a business degree. Work experience is available across the Byfields network.

If you know someone who is studying, we would love to hear from them. We will tailor a work experience program to fit with their availability and to ensure exposure to the different services we offer.

Please contact our Senior People & Culture Adviser, Yolandi Nagel on (08) 6274 6400 OR yolandin@byfields.com.au or speak to your Byfields accountant.

UPCOMING KEY DATES

WHAT IS DUE?	DUE DATE:
PAYROLL TAX DECEMBER/DECEMBER QUARTER	7 JANUARY
SUPER FOR EMPLOYEES	28 JANUARY
DECEMBER QUARTER BAS	28 FEBRUARY