Historic first live beef cattle shipment sets sail to China

Elders has sent Australia's first sea-bound shipment of live beef cattle to China under the new health protocol agreement for feeder and slaughter cattle. Elders' North Australian Cattle Company, which is currently in the advanced stages of sold, exported 1200 live beef cattle from Portland, Victoria to Shidao Port in China, destined for high-end consumers, hotels and restaurants.

The shipment consists of mainly Black Angus cattle, aged between 18 and 24 months, weighing an average of 500kg. The steers were sourced through Elders' networks in Victoria and South Australia. More shipments are expected to follow soon, with Wellard tipped to send its first sea-shipment of steers to China under the protocol in March.

Levels of trade to the new market will hinge largely on the price of Australian cattle. Exporters say even a 10c/kg fall in the price of suitable southern steers could trigger a flurry of activity.

Elders chief executive officer, Mark Allison said the milestone recognised the efforts of Australian and Chinese authorities, and the strong relationships Elders holds with both its domestic and international clients. "As an Australian agribusiness, we are committed to increasing market opportunities for Australian producers, and driving demand for high quality produce," Mr Allison said. "Considering the record highs that exists in our current domestic cattle market, this shipment really signifies the demand that exists in China for high quality Australian beef," he said.

Cattle producers Bobby and Georgina Mann of Mortlake, supplied more than 100 head of steers and heifers for the China shipment and said the trade provides another competitive selling option for producers of quality Australian beef. The entire shipment of cattle has been imported by Baozhu Food Company, part of the Tai Xiang Group, for end-use customer, Shanghai CRED.

The Tai Xiang Group is a leading Chinese company specialising in frozen processed food, and was Gina Rinehart's joint venture partner in the purchase of S. Kidman & Co, finalised late last year. Tai Xiang have made significant investments in quarantine and processing facilities to ensure cattle are handled in accordance with the high standards required by NACC and the Australian industry.

"Processing of the entire shipment will occur within 14 days of arrival, and Elders will have its own supply chain specialists in attendance the entire time, to monitor compliance and provide additional assistance."

Simon Crean said the trade in beef cattle to China for slaughter was governed by the health and quarantine conditions contained in the protocol agreement and the regulatory conditions set out in the Australian Standards for the Export of Livestock (ASEL) and the Exporter Supply Chain Assurance System (ESCAS).

Mr Crean said the scale of investment being made to capitalise on the new market, both here in Australia and in China, would boost industry confidence about the long-term significance of the trade.

The 1200 mostly Angus cattle, sourced by Elders from producers in Victoria and South Australia, average 500 kilograms liveweight.

"It is another example of how Australia's livestock export industry is not only meeting the growing demand for live cattle in overseas markets, but continuing to ensure we are playing the leading role in improving animal welfare standards in the global live trade."

Source: *Beef Central. (2017). Historic first live beef cattle shipment sets sail to China - Beef Central. [online] Available at: http://www.beefcentral.com/live-export/historic-first-live-beef-cattle-shipment-sets-sail-to-china/ [Accessed 8 Feb. 2017].*

SMSFs: Voluntary disclosure deadline for PSI payments extended

The ATO has announced that it is extending the deadline it had set for SMSF trustees to disclose any personal services income that has been diverted to their fund. The concern for the ATO, as outlined in a taxpayer alert (TA2016/6) it issued last year, is the minimising or avoidance of tax obligations that can result.

Under the arrangements concerned, the ATO says an individual "performs a service for a client" and does not receive any or adequate remuneration for these services provided. "Instead, the client is instructed to pay fees or remuneration for the service provided by the individual to a company, trust or other non-individual entity," the ATO explains. "The relevant non-individual entity then distributes the income to a SMSF, of which the individual is a member, as a return on investment."

The worry for the ATO is that the outcome of such arrangements is that the income is either exempt from tax or taxed concessionally rather than being subject to tax at the individual's marginal rate.
The deadline for making a voluntary disclosure, and so avoiding administrative penalties, has been extended to April 30, 2017.

The ATO affirms however that shortfall interest charges may still apply, and that trustees currently subject to other compliance action may not qualify for any consideration.

This latest extension of a deadline for SMSF compliance comes after additional time had been granted for trustees to ensure LRBAs were made on terms consistent with arm's length dealings. The new LRBA review deadline passed on January 31.

Given the hectic superannuation environment, with several extensive reforms enacted since November 2016, the ATO admits that it is aware that trustees may have been focused on issues such as LRBAs or the latest legislative changes. Therefore, as people may not have had sufficient time to consider the voluntary disclosure offer for personal services income, the ATO says it has extended the opportunity to contact it without facing administrative penalties.

"If any of your clients have entered into an arrangement as described in TA2016/6 or a similar arrangement, please contact us so we can work with your client to resolve any issues in a timely manner, and minimise the impact on the individual and the fund," the ATO says.

"We recognise the importance of preserving the assets which SMSFs hold to fund retirement incomes, so issues affecting the SMSF will be addressed on a case-by-case basis. We anticipate that, in most cases, the personal services income distributed to the SMSF by the non-individual entity would be taxed to the individual at their marginal tax rate."

Source: *Breaking tax and super news - Tax & Super Australia. (2017). SMSFs: Voluntary disclosure deadline for PSI payments extended. [online] Available at: http://taxandsupernewsroom.com.au/index.php/2017/02/07/smsfs-voluntary-disclosure-deadline-psi-payments-extended/ [Accessed 8 Feb. 2017].*

Fringe benefits tax and entertainment update

In the run up to the end of the FBT year, the ATO reminds employers that a fringe benefit may be provided by another person on behalf of an employer, but may also be provided to another person on behalf of an employee (for example, a relative). Fringe benefits tax and entertainment update:

As far as "entertainment" goes, the ATO says such benefits include providing:
• Entertainment by way of food, drink or recreation
• Accommodation or travel in connection with, or to facilitate the provision of, such entertainment.

Recreation includes amusement, sport and similar leisure-time pursuits and includes recreation and amusement in vehicles, vessels or aircraft (for example, joy flights, sightseeing tours, harbour cruises).

Some examples of the provision of entertainment are:
• Business lunches and drinks, cocktail parties and staff social functions
• Providing entertainment to employees and clients by providing access to sporting or theatrical events, sightseeing tours, holidays and so on
• Accommodation and travel when it is provided in connection with, or to facilitate, activities such as entertaining clients and employees over a weekend at a tourist resort, or providing them with a holiday.

The ATO says however that there is no FBT category of "entertainment fringe benefit" as such. Instead, the provision of entertainment may give rise to a number of different types of fringe benefit, depending on the circumstances under which you provide the entertainment.

The different types of fringe benefit that may arise are:
• A meal entertainment fringe benefit – where fringe benefits are provided by way of, or in connection with, food or drink
• An expense payment fringe benefit – for example, the cost of theatre tickets purchased by an employee that you reimburse
• A property fringe benefit – for example, providing food and drink
• A residual fringe benefit – for example, providing accommodation or transport
• A tax-exempt body entertainment fringe benefit – this category of fringe benefit involves only those employers who are exempt from income tax.

Exemptions to FBT
Apart from the "minor benefits exemption" (generally where the value is less than $300), there is an exemption that applies to providing food and drink in the following circumstances.
Food and/or drink provided to, and consumed by, current employees on the business premises on a working day are exempt property benefits (refer to section 20.6 of Fringe benefits tax exempt benefits). The exemption from FBT applies regardless of whether:
• The food and drink is prepared on business premises (but remember, a corporate box is not part of a business's premises)
• Entertainment arises from the provision of food and/or drink.

Food and/or drink provided on business premises to associates of employees (for example, spouses) is not exempt from FBT. Where food and/or drink is provided on the same occasion to both employees and their associates, there may have to be an apportionment of the expenditure on a per head basis.

This exemption does not apply to:
• Employers who are exempt from income tax when entertainment arises from the provision of food and/or drink
• Income tax-paying bodies that elect to value the entertainment as meal entertainment
• Meals provided under a salary sacrifice arrangement after 7.30pm AEST on May 13, 2008.

Source: *Breaking tax and super news - Tax & Super Australia. (2017). Fringe benefits tax and entertainment update. [online] Available at: http://taxandsupernewsroom.com.au/index.php/2017/02/07/fringe-benefits-tax-entertainment-update/ [Accessed 8 Feb. 2017].*