

BUSINESS TAX TIPS JUNE 2014**CONTRACTORS**

The ATO has an employee / contractor tool available on their website to assist in determining whether workers are contractors or employees for tax and super purposes—highly recommended for clarifying obligations around contracting arrangements.

SMALL BUSINESS CAPITAL GAINS TAX (CGT) CONCESSIONS

Based on a "Significant Individual Test". Requires a 20% interest to be satisfied either directly or indirectly in order to qualify.

There are substantial benefits on sale of business goodwill or assets including business property through these concessions, which can even result in NIL CGT being payable.

PAYROLL TAX

Applies where wages and subcontractors exceed an annual threshold (currently \$750,000 in NSW). Applies to all Australian wages.

The Payroll tax rate in NSW is currently 5.45%.

If wages exceed the threshold, you must register with Office of State Revenue (OSR) immediately.

FRINGE BENEFIT TAX

Minor benefits exemption threshold is \$300 – good news for the office Christmas party and gifts for employees. It applies to benefits that are irregular and infrequent.

Other exemptions worth considering include:

- Laptops (1 per employee per year)
- Mobile phones – no FBT if predominantly for business use.
- Other Portable Electronic devices (ie iPod's, GPS) may also be eligible (if predominant business use test is passed).

R & D TAX INCENTIVE

The two components of the scheme are:

- A 45% refundable tax offset for eligible companies with an aggregated turnover of less than \$20million p.a.; or
- A non-refundable 40% offset for all other eligible companies.
- The scheme is designed to increase the amount of R&D being conducted in Australia.
- As announced in the 2014 Budget, the refundable offset will reduce to 43.5% from 1/7/14. (This is subject to legislation being passed however)

TAXABLE PAYMENTS REPORTING

Applies to payments made to contractors in the Building & Construction Industry. This is a new requirement from 1 July 2012 and requires Annual Reporting of payments made.

SMALL BUSINESS ENTITY (SBE) PROVISIONS

Provides for:

- Simpler trading stock rules
- Simpler/ accelerated depreciation including immediate deduction for assets under \$6,500 (2012-13) (\$5,000 Motor Vehicles) up to 31/12/13 and then \$1,000 from 1/1/14 onwards (still subject to legislation being passed).
- Prepaid expenses fully deductible
- Exemption from FBT Car Parking provisions
- Automatic access to Small Business Capital Gains Tax (CGT) concessions

Available where annual turnover is under \$2,000,000.

SUPER - GENERAL

- Super Guarantee (9.25% from 1/7/13 and 9.5% from 1/7/14) must be paid by the 28th day of the month following the end of each quarter (ie. By 28 Oct, 28 Jan, 28 Apr and 28 Jul).
- Your Super fund must receive the contributions prior to 30 June for a deduction in this financial year.
- The ATO have calculators available on their website to assist in determining when and what amount of super should be paid for employees if you are in any doubt.
- Directors may now be personally liable for unpaid super contributions in certain circumstances. It is therefore imperative to make sure employee super contributions are up to date (see further information below).

SUPER - EMPLOYEE DETAILS

From 1 July 2007, where employees complete a Tax File Number Declaration form, employers must pass the tax file number onto the super fund.

SELF-MANAGED SUPER FUNDS

- From 1 July 2007, all new trustees must sign and retain a declaration no later than 21 days after becoming a trustee. This aims to ensure Trustees understand their duties.
- The Supervisory levy is \$388 per annum for the 2013/2014 year
- Significant changes now enable gearing – effectively meaning funds can borrow for investment in property.
- Apart from the common “Instalment Warrant” option, we also have other strategies which allow further flexibility.
- Changes to action on SMSF Non-Compliance occur as of 1 July 2014. Broadly, where breaches have occurred, the ATO will now have the ability to issue Education Directions, Rectification Directions and/or Administrative (Financial) Penalties depending on the breach. This is a definite increase in Accountability for anyone acting as a Trustee of an SMSF.

SUPER CHANGE

9.5% RATE FOR SUPER GUARANTEE APPLIES FROM 1/7/14. MAKE SURE YOU CHANGE YOUR SYSTEMS!

BUSINESS VIABILITY ASSESSMENT

The ATO has established an online Business Viability Assessment Tool to help businesses determine whether their business is viable. While it is quite useful, it's worth noting the ATO now appear to be using this in certain circumstances to determine if a payment arrangement for unpaid tax should be granted.

GENERAL TIP

Bring forward deductions and defer income.



NEW DIRECTOR PENALTIES REGIME

IMPORTANT INFORMATION FOR COMPANY DIRECTORS

New Director Penalty Laws are now in effect. The Federal Government has made changes to legislation to prevent phoenix companies who deliberately liquidate their company to avoid paying superannuation and taxes.

Directors:

- are held personally liable for unpaid superannuation. If company liabilities for super are unpaid three months after they were due, and the company is placed in administration, directors are personally liable for the amounts they owe.
- have greater difficulty in deleting personal liabilities
- may now be denied PAYG credits. If a company owes PAYG amounts, PAYG credits may be denied to directors and associates. But the consequences go further. If these parties are paid wages, these wages will be grossed up as if no PAYG was paid on them and directors will be made personally liable for the amounts owing.



The new penalty regime presents other reforms for directors, including:

- new directors are not liable for penalties for company debts until 30 days after they take on their role.
- the ATO can now estimate unpaid SG charges, in addition to estimating unpaid PAYG liabilities.

The ATO can serve a copy of a director penalty notice on the director at his or her tax agent's address.

TAX RATE CHANGES

Due to changes in tax rates and Medicare Levy from 1/7/14 there are changes in tax withholding amounts. Please make sure your tax tables or systems are updated for payments made after this.

NON COMMERCIAL LOSSES

Changes to the operation of the non-commercial loss rules occurred with effect from the 2009-10 income year.

The key changes include:

- The introduction of an income requirement of \$250,000 to further restrict the circumstances where a business loss can offset other income
- A new Commissioner's discretion
- Existing Commissioner's discretions continue to apply

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We specialise in services to small to medium businesses and investors. Our mission is to provide advice and planning along with taxation and accounting services. As a licensed financial planner with MCA Financial Planners Pty Ltd, David is also able to provide financial advice.