

BUSINESS TIPS JUNE 2016**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 BENEFITS 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).

In the 2015-16 Budget, the Government announced that it will allow a Fringe Benefits Tax (FBT) exemption from 1st April 2016 for small business with an annual turnover of less than \$2 million that provide employees with more than one qualifying work-related portable electronic device.

Currently, an FBT exemption can apply to more than one work-related portable electronic device, but only where the devices perform different functions. Removing the restriction that a tax exemption is only provided for one work-related portable electronic device of each type, will remove confusion where there is a function overlap between different products (such as between a tablet and a laptop).

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 \$20 million 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 2014-15 Budget, the refundable offset will reduce to 43.5% and 38.5% respectively from 1/7/14. (This is still subject to legislation being passed however as at June 2016.)

**TAXABLE PAYMENTS
REPORTING**

Applies to payments made to contractors in the Building & Construction Industry and requires Annual Reporting of payments made.

GENERAL TIP

Bring forward deductions and defer income.



SMALL BUSINESS ENTITY (SBE) PROVISIONS

From July 1 2016, small businesses will have access to a new roll over for gains and losses arising from the transfer of CGT assets, trading stock, revenue assets and depreciating assets as part of a restructure of a small business.

What do you need to know?

- The roll-over is available for asset transfers taking place after 1 July 2016.
- The roll-over is optional
- It must be a part of a genuine restructure
- Ultimate economic ownership in the asset must be maintained

Small Business Grant

\$2,000 for every new employee in your business.

Available for:

- full-time, part-time and casual jobs
- new jobs created from 1 July 2015-30 June 2019
- employment must be maintained for one year
- works wholly in NSW

It is payable as a lump sum after the first anniversary of employment.

SUPERSTREAM

SuperStream is compulsory from 1/7/16 for all employers for making super contributions for staff. Make sure you are registered with the ATO Clearing House, your super fund or through your software provider.

SUPERSTREAM

SuperStream is now (1/7/16) a mandatory requirement. We are recommending The Small Business Superannuation Clearing House for meeting your obligations.

Clearing House Explained

Clearing House is for small businesses with less than 20 employees. It allows you to make one electronic payment to cover all your super contributions for staff. It's free, simple and reduces time on administration. To register your business details with Clearing House go to www.medicareaustralia.gov.au/super. You only need to enter employee details once, and each time you make a super payment, you will need to enter the contribution amount against each employee. You then make one single electronic payment to the Clearing House and the ATO will distribute the amount to each super fund.

Streamlining Business Reporting With Single Touch Payroll

The Minister for Small Business has announced the implementation of Single Touch Payroll (STP) from 2017/18. To assist with the transition, the government will provide businesses (with a turnover of less than 2 million) with a \$100 non-refundable tax offset for SBR enabled software. PAYG withholdings will be automatically reported to the ATO through Standard Business Reporting (SBR) software as well as reporting of superannuation contributions (SuperStream).

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.



SMALL BUSINESS CONNECT – NEED ADVICE?

Small Biz Connect is a NSW Government Initiative that provides highly subsidised small business advice. They are a mobile service and come to you. They recognise time constraints and difficulties involved in running a small business. Small Biz Connect will work with you to create ways to improve your business looking at different areas including General Business Health, Emergency Planning and Online Presence. Call 1300 134 359 or visit smallbusiness.nsw.gov.au for more information.

NEW RULES FOR DEDUCTING SMALL BUSINESS START UPS

From July 1 2015, small businesses can immediately deduct certain capital expenses associated with starting up a business. Expenses are now fully deductible in the year in which the expenditure occurred if it was:

1. Incurred in obtaining advice or services relating to the proposed structure or operation of the business
2. A payment to an Australian government agency of a fee, tax or charge incurred in relation to setting up the business.

Some **Workers Comp. insurers** are providing electronic lodgement. Check it out if you are renewing your policy for an efficient way to renew.



NON COMMERCIAL LOSSES

One of Four Tests must be met in order to claim Business Losses against other income. The four tests are:

- **The assessable income test** – minimum of \$20,000 revenue.
- **The profits test** – the business had a profit for tax purposes in three out of the past five years (including the current year).
- **The real property test** – the value of real property or of an interest in real property used in the business on a continuing basis was at least \$500,000.
- **The other assets test** – the value of assets (excluding real property, cars, motor cycles and similar vehicles) used on a continuing basis in carrying on the business was at least \$100,000.

A further requirement of other taxable income being less than \$250,000 also now applies. In certain circumstances, a Commissioner's discretion may be available (on application).

SERVICES OFFERED

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.