

BUSINESS TAX TIPS JUNE 2015**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% and 38.5% respectively from 1/7/14. (This is still subject to legislation being passed however [as per the 2015-2016 Budget]).

TAXABLE PAYMENTS REPORTING

Applies to payments made to contractors in the Building & Construction Industry. This is a 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 \$1,000 from 1/1/14 and \$20,000 from 7:30pm 12/5/15 onwards
- 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 (9.5%) must be paid by the 28th day of the month following the end of each quarter (i.e. 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.

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 \$259 per annum for the 2014/2015 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 occurred 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.
- Insurance changes from 1st July 2015: Trustees are prohibited from offering or taking out new insurance policies that are inconsistent with the death, terminal illness, permanent incapacity and temporary incapacity conditions of release in the SIS Regulations.

SUPERSTREAM

**SuperStream is starting
1/7/15 for small employers.**

**See the following page for
more information.**

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.



SUPERSTREAM

IMPORTANT INFORMATION FOR EMPLOYERS

The introduction of SuperStream is designed to make super contributions a simpler and more cost effective process for employers. Employers will send data and payment electronically; on the same day, linked by a unique payment reference number.

Common Questions:

What is SuperStream?

It aims to improve the efficiency of Australia's superannuation system.

What are the benefits?

It will simplify the process of paying super to employees by reducing cost and effort.

What are my obligations as an employer?

Implementing SuperStream means you will need to:

- Send all mandatory data in the specified format
- Make payments electronically
- Link data and money with a payment reference number
- Respond to fund requests for member information within 10 days



When do I have to be ready? Employers with 20 or more employees must implement from 1/7/15. Employers with 19 or less employees start from 1/7/16 onwards, however you need to start preparing now.

Whether you are making contributions to a default, choice or self-managed super fund (SMSF), you are required to use the SuperStream format. A SuperStream contribution must include certain minimum information including:

- The fund's ABN
- The fund's bank account details
- The electronic service address of the fund or product
- An unique superannuation identifying (USI) for the superannuation product

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.