

## BUSINESS TIPS - JUNE 2020

### TAX PLANNING STRATEGIES TO IMPLEMENT BEFORE 30 JUNE 2020

- ✓ Defer invoicing if you are a non-Small Business Entity (SBE) taxpayer
- ✓ Defer receipt of income if you are a SBE taxpayer
- ✓ Pay Super Guarantee (SG) before 30 June to obtain a tax deduction in the 2019/2020 year even though not due to be paid until 28 July 2020
- ✓ Make additional superannuation contributions up to your aged based limits before 30 June 2020
- ✓ **Bear in mind Super Clearing House cut off dates!**
- ✓ Prepay expenses for up to 12 months (SBE) or up to \$1,000 (non-SBE)
- ✓ Make tax deductible purchases such as accounting software and travel expenses before 30 June 2020 (SBE taxpayers must also physically pay these expenses)
- ✓ Purchase and be using/have installed ready for use before 30 June 2020 **business assets <\$150,000 ex GST (SBE Taxpayers)** or <\$300 ex GST (non-SBE taxpayers) (concessional figure due to COVID-19)
- ✓ Prepare and undertake a stock take
- ✓ Write off bad debts
- ✓ Pay staff bonuses
- ✓ Pay directors' fees or dividends
- ✓ Adjust owners' wages if necessary to obtain a more attractive tax outcome.
- ✓ Ensure your accounting file is up to date and reconciled, determine your year to date (YTD) profit or loss and know your position so you can make decisions

**If you haven't embraced cloud accounting technology now is a great time to switch over to online products. With Single Touch Payroll (STP) requirements this is now almost an imperative!**



### SMALL BUSINESS ENTITY (SBE) PROVISIONS

From 1 July 2016, small businesses 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 CAPITAL GAINS TAX (CGT) CONCESSIONS

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.

### 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.

### PAYROLL TAX

Applies where wages and subcontractors exceed an annual threshold (currently \$850,000 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.

### SMALL BUSINESS COMPANY TAX RATE

The small business company tax rate of 27.5% applies for companies with turnover up to \$50million for the 2019-20 year. This rate applies to corporate unit trusts and public trading trusts. Small businesses must now also base franking of distributions on the 27.5% rate.

### SMALL BUSINESS INCOME TAX OFFSET

Individuals may be entitled to a tax offset for the tax payable on small business income. A tax offset rate of 8% applies from 1/7/16 with a limit of \$1,000 each year. This applies to businesses with a turnover less than \$5 million. The Tax offset increases to 13% in 2020/2021 and to 16% from the 2021-22 income year.

### SUPERSTREAM

SuperStream is now compulsory for all employers making super contributions for staff. Make sure you are registered with a Clearing House, your super fund or through your software provider.



### R&D TAX INCENTIVE

The scheme is designed to increase the amount of R&D being conducted in Australia. The two components of the scheme are:

- ✓ A 41% refundable tax offset for eligible companies with an aggregated turnover of less than \$20 million p.a.;
- ✓ A non-refundable 38.5% offset for all other eligible companies.



Changes that were originally announced in the 2018 Budget, and are currently before the Senate, but not yet legislated that would apply from 1 July 2019. Broadly the changes introduced a premium for companies with turnover above \$20 million that is tied to intensity of R&D expenditure against overall expenditure and also increased the R&D expenditure threshold. For companies with turnover under \$20 million, the ongoing R&D rate will be tied to 13.5% above the company tax rate, and the refundable offset capped to \$4 million per annum with the balance to be a non-refundable carry forward offset. Expenditure on clinical trials would be exempt from the cap.

### 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](http://smallbusiness.nsw.gov.au) for more information.

### SINGLE TOUCH PAYROLL

**Single Touch Payroll (STP)** commenced from 2017/18 for employees with 20+ staff. Salary and PAYG withholdings are automatically reported to the ATO through Standard Business Reporting (SBR) software as well as reporting of superannuation contributions (SuperStream) at the same time as paying employees. It has applied from 1 July 2019 to all other employers.

#### Concessions due to COVID-19:

**Closely Held Payees only** (ie. Director & associated family – Exemption deadline extended until 30 June 2021

**Micro employers (1-4 staff)** – those who need more time to set up systems can have their Registered Agent lodge on their behalf on a quarterly basis through until 30 June 2021.

**Act now to have systems in place !**

## ASIC First Business App to help young people starting a small business

First Business was developed by ASIC and the ATO, to assist young people considering going into business. The mobile app provides practical tips, checklists, case studies and links to additional information relating to developing and running a small business themselves.

## DEDUCTING SMALL BUSINESS STARTUP COSTS

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.

## TAXABLE PAYMENTS REPORTING SCHEME (TPRS)

Applies to payments made to contractors in the Building & Construction Industry and requires Annual Reporting of payments made. From 1 July 2018, TPRS regime has been extended to a number of new industries, with the **cleaning and courier industries coming in since 1 July 2018** and the **road freight, security, investigation, surveillance and information technology industries from 1 July 2019**.

### TRANSFER DUTY ABOLISHED

Transfer duty on the transfer of business assets in NSW was abolished on 1 July 2016, along with transfer duty on the transfer of private company shares and mortgage duty.

## 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).
- ✓ Small Business exemption now applies for more than one qualifying work-related portable electronic device.

### Disclosure of business tax debts

As of 21 February 2020, the ATO has the power to disclose certain business tax debts to Credit Reporting Bureaus (CRB's).

Businesses which are engaging with the ATO to manage their tax debts will not have the tax debt information disclosed to CRBs.

#### The ATO will only disclose this information if the business meets the following criteria:

\*it has an ABN and is not an excluded entity

\*it has one or more tax debts overdue by 90 days \$100K or over

\*is not effectively engaging with the ATO to manage tax debt

\*the Inspector-General of Taxation is not considering an ongoing complaint about the reporting of the entities tax debt information.

The ATO will notify a business in writing if they meet the reporting criteria and give them 28 days to engage with the ATO and take action to avoid having its tax debt information reported.

## EARLY STAGE VENTURE CAPITAL LIMITED PARTNERSHIP

From 1 July 2016, a limited partner of an early stage venture capital limited partnership (ESVCLP) may qualify for a:

- ✓ Non-refundable carry forward tax offset of up to 10% on contributions to an ESVCLP that becomes unconditionally registered on or after 7 December 2015
- ✓ Tax exemption for part of the capital gain or income from disposal of investments that were accrued at the end of the period ending six months after the end of the financial year in which the investee's value first exceeded \$250 million.

## BUSINESS VIABILITY ASSESSMENT

The ATO has an online Business Viability Assessment Tool to help businesses determine whether their business is viable.

While it is 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.

## GST ON GOODS & SERVICES APPLIED TO AUSTRALIA

GST now applies to non-resident businesses who supply goods, services or digital products to consumers or GST-registered business. Businesses which meet the turnover threshold of \$75,000 and make these supplies are required to register for GST.

From 1 July 2017 GST applies to cross-border supplies of **digital products and other services** imported by Australian consumers:

- ✓ Digital products such as streaming or downloading movies, music, apps, games and e-books
- ✓ Services such as architectural or legal services

This is something to be mindful of when dealing with non-resident businesses now.

## EARLY STAGE (ANGEL) INVESTOR TAX INCENTIVES

From 1 July 2016, investors who acquire newly issued shares in qualifying Australian early stage innovation company (ESIC) may be eligible for:

- ✓ Non-refundable carry forward offset equal to 20% of the amount paid for the shares
- ✓ Modified CGT treatment, under which the investor can disregard any capital gains that have been made on shares held between one and ten years.

## GST ON LOW VALUED IMPORTED GOODS

From 1 July 2017 GST applies to low value imported goods. This includes all goods that are imported into Australia and sold to consumers with a value equal to or less than \$1,000. Under this measure you may need to register for GST if:

- ✓ You are a non-resident supplier who sells low value goods and imports them into Australia and
- ✓ Meet the registration turnover threshold of \$75,000

## 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).

## INCOME TAX AVERAGING – PRIMARY PRODUCERS AND SPECIAL PROFESSIONALS

Primary producers and special professionals qualify for income tax averaging. This means income and tax payable is evened out over a maximum of five years to allow for fluctuations in prices and production (for primary producers), and income receipts (for special professionals).

This ensures that you do not pay more tax over a number of years than taxpayers on comparable but steady incomes.

**Special professionals** include authors and inventors, performing artists, production associates, and sportspeople.

A **primary producer** operates a primary production business if they undertake:

- plant or animal cultivation (or both)
- fishing or pearling (or both)
- tree farming or felling (or both)