

Business Newsletter

June 2018



JSA and Edcom welcome you to the 2019 Financial Year!

Please see our individual newsletter for an update on:

- Transition of business ownership from Bob and Jill to Jill and Jessica
- New staff and new arrivals
- NAB accounting awards
- Mr Graham Burtenshaw's retirement
- Our Hindmarsh office
- The Royal wedding and the Royal Commission

The Federal Budget was handed down on the 8th May, 2018 by Treasurer Scott Morrison. Headline items include the increase of the 32.5% tax bracket and the new Low and Middle Income Tax Offset as well as a range of incentives to support older

Changes for Business for 2018 and 2019

Small Business Income Tax Offset (SBITO)

The small business income tax offset is now 8% on your net small business income as a sole trader or from a partnership or trust, capped at \$1,000 for 2018. You are eligible for this offset against any tax paid if your turnover is less than \$5m.

Company Tax Rate Changes

Up until the 2017 year, a company had to be a small business entity – that is 'carrying on a business' and under the aggregated turnover threshold (\$10m in 2017).

Whilst the turnover threshold has increased to \$25m for 2018 and \$50m in 2019 there is a proposed tightening of this law by introducing the new concept of base rate entity from 2018. The bill to enact this change was introduced on 18 October 2017 and is yet to be passed (currently before the senate).

Financial Year

Base Rate Entity under The Aggregated Turnover Threshold

2018	<\$25 million
2019	<\$50 million
2020	<\$50 million

Base Rate Entity Tax Rate

27.5%
27.5%
27.5%

Other Companies (large and passive income)

30%
30%
30%

Australians. The proposed income tax bracket changes are to be implemented over the next 7 years so are very much dependent upon election outcomes.

On the business front...

A welcomed extension to the \$20,000 instant asset write-off and some less publicised changes such as;

- eligibility for the reduced company tax rates;
- single touch payroll;
- expansion of taxable payments reporting and;
- deductibility of non-compliant payments;
- limiting cash payments to business.

Please read on for our summary of the 2018 budget.

We thank you for your support over the last 12 months and we look forward to working with you in the coming year.

Jill Hoadley and Jessica Ni, Directors

Bob, Ian, Amy, Nicola, Maggie, Emma, Kristy, Jen and Nicolle

In this guide...

- Changes for business for 2018
- 2018 Budget Announcements
- New Payroll and BAS calendars
- EOFY Tax Tips and Checklists

To be eligible for the lower corporate tax rate the company must have no more than 80% of its income from passive sources including certain dividends, associated franking credits, interest, royalties, rent and capital gains.

What does this mean for me?

- Companies operating a business and also receiving a relatively larger amount of passive income may not be eligible for the lower base rate entity tax of 27.5%.
- This will also create uncertainty in relation to the franking credit rate on dividends which is aligned with the tax rate this year
- Extra care will be required in establishing the correct rate of tax for companies with multiple income sources and those that form part of an aggregated group with inter-entity transactions such as loans, dividends and distributions.

Single Touch Payroll is Here!

When?

- Mandatory from 1 July 2018 for Businesses with 20 or more employees (headcount 1/4/18).
- All other businesses start from 1 July 2019 unless they wish to start earlier.

What?

- STP will automatically report payroll and super information to the ATO at the same time as you pay your employees (pay events).

How?

- Xero, MYOB and Reckon/Quickbooks are all planning to ensure their software is ready for Single Touch Payroll (STP).
- STP will not 'pay' PAYG withholding amounts or super for you, only report them. The information will then be used to prefill these reporting items (W1 and W2) on your BAS.
- Those using STP will no longer need to lodge end of year payment summaries.
- There will still be mechanisms to check and approve end of year amounts and make corrections to pay events.

Why?

- STP will give the ATO more timely information to follow up likely defaults in unpaid super and tax on employee wages and further automate end of year payroll reporting

Payroll Software

The majority of businesses with employees already use a compliant payroll software system.

A system such as Xero or MYOB is the easiest way to comply with;

- Fair Work reporting requirements - timesheets and payslips
- Super Stream Compliance – reporting and automating payment of SG contributions
- Single Touch Payroll

Please let us know if you need assistance to setup a new system or ensuring your software is correctly calculating tax, super, leave and withholding.

Increase To National Minimum Wage

We await The Fair Work Commission's 2018 Annual Wage Review decision with the FWC in active consultation as we go to print.

The ACTU is pressing for a 7.2% increase to the National Minimum Wage with The Australian Industry Group lobbying for an increase of 1.8% which equates to a minimum of \$12.50/week.

Don't forget legislated wage increases to awards apply from the first full pay period on or after 1st July 2018.



FairWork Ombudsman - New Law

On 15 September 2017 the Fair Work Amendment (Protecting Vulnerable Workers) Act 2017 took effect. It makes the following changes to the Fair Work Act 2009:

- increase penalties for 'serious contraventions' of workplace laws
- make it clear that employers can't ask for 'cashback' from employees or prospective employees
- increase penalties for breaches of record-keeping and pay slip obligations
- employers who don't meet record-keeping or pay slip obligations and can't give a reasonable excuse will need to disprove wage claims made in a court (this is also referred to as a reverse onus of proof)
- strengthen our powers to collect evidence in investigations
- introduce new penalties for giving us false or misleading information, or hindering or obstructing our investigations.

From 27 October 2017, the changes also mean that certain franchisors and holding companies can be held responsible if their franchisees or subsidiaries don't follow workplace laws (if they knew or should have known and could have prevented it).

If you have any concerns about application of the new laws and what you can best do to ensure you are meeting your employer obligations please contact us.

Do You Have a MYGOV Account?

We have had an increasing number of clients receiving correspondence directly from the ATO through their MYGOV account unexpectedly. Any electronic communication with the ATO through Auskey or MYGOV may 'turn off' paper communications. If you are concerned that an instalment notice or form is missing please check your MYGOV account and/or contact us to update how the ATO communicate with you.

If we receive notices and communications on your behalf these are always logged, reviewed (to avoid any incorrect/out of date advices) and sent to you via email, portal or post.

Federal Budget 2018: How the Budget Affects Your Business

2018 and 2019 Changes

Extending accelerated depreciation for small businesses – to 30 June 19

The Government will extend the existing \$20,000 instant asset write-off by a further 12 months to 30 June 2019 for businesses with aggregated annual turnover of less than \$10 million. Under this measure, small businesses will be able to immediately deduct purchases of eligible assets costing less than \$20,000 where they are installed and ready for use before 30 June 2019.

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15 per cent in the first income year and 30 per cent each income year thereafter. The pool can also be immediately deducted if the balance is less than \$20,000 over this period (including existing pools).

Taxable Payments Annual Reporting (TPAR)

Businesses in the **Building and Construction industry** are required to report payments to contractors that are principally for labour and services. It is most important that you obtain a valid ABN and contact details for any business or individual you engage to provide labour to your business.

From **1 July 2018** TPAR will be expanded to include the following industries;

- **Cleaners**
- **Courier Services**

From 1 July 2019 TPAR will be expanded to include the following industries;

- Road freight transport
- Computer system design and related services
- Security providers

From 1 July 2019 The TPAR will logically provide a mechanism for denying deductions where no ABN is quoted and PAYG is not withheld as outlined below.

R&D Tax Incentive – from 1 July 2018, for companies with an aggregated annual turnover below \$20m, the refundable R&D offset will be a premium of 13.5% above the applicable company tax rate.

Proposed Changes from 1 July 2019

Denial of Deduction for Non-compliant payments

A business is required to withhold PAYG (Pay As You Go withholding) from;

- Wages and
- Contractor payments (where no ABN is provided)

From 1 July 2019 if PAYG is not withheld the business is denied a deduction for the wage or contractor payment.

Limiting Cash Payments to Businesses – the introduction of a \$10,000 limit on cash payments to businesses for goods and services is proposed from 1 July 2019. Targeted at cash economy and money laundering, transactions over \$10,000 will need to be made electronically or by cheque

Division 7A and Unpaid Present Entitlements

Measures to tighten the rules regarding the application of Division 7A to UPE's have been deferred until 1 July 2019. We will be watching this space closely and discuss with any affected corporate clients.

Deductions denied for vacant land

The Government will deny deductions for expenses associated with holding vacant land. The Government says this is an integrity measure to address concerns that deductions are being improperly claimed for expenses, such as interest costs, relating to holding vacant land, where the land is not genuinely held for the purpose of earning assessable income. This measure will apply to land held for residential or commercial purposes. However, the 'carrying on a business' test will generally exclude land held for commercial development.



ATO Audit Activities expanding

We once again have seen an increase in Audit activity by the ATO this past year.

2018 Budget – announced funding to the ATO

- \$130.8m Compliance activities – lodgements and deductions
- \$133.7m Debt Collections
- \$318.5m Black Economy taskforce (cash economy)

The funding for compliance activities from 2018-19 alone is expected to generate a forward estimate of \$1.1bn in additional government revenue.

Sophisticated data matching and analysis now enables identification of;

- Businesses with a lower than normal % of cash takings
- Deduction claims significantly larger than others
- Under reported Income

Random audits also occur, albeit with such efficiency in systems, the above data matching processes are very efficient at finding misreported amounts.

We are very proud of our thoroughness as agents and resulting low risk compliance status as a firm. As a result, the majority of ATO initiated audits for our clients do not result in audit adjustments, but audits are unpleasant for clients and can take significant time to attend to.

We appreciate you working proactively with us to ensure claims are correctly recorded and substantiated to minimise the risk of audit.

If we believe you are in a high-risk industry or have abnormal income or expense figures ask your accountant about audit insurance this year.

As a result of ATO activity, we have also expanded our suggested industries for which we recommend audit insurance to include;

- Construction industry especially if employing contractors
- Cafés, restaurants and retail service businesses
- Those with holiday rentals, B&B's or shared rental income

Tax Audit Insurance

- Audit Shield provides cost effective protection and assistance against the substantial costs incurred should the ATO or other government revenue agency conduct an audit, enquiry, investigation or review.
- Audit Insurance covers all of our time associated with explaining and guiding you through the audit process including attending audit interviews and preparing information through to resolution of the audit.
- Audit insurance is relatively low cost - Call Jen or Emma today for more information

PROPERTY DEVELOPERS - Don't forget – Remitting GST on Property Sales

From 1 July 2018 purchasers of newly constructed residential properties or subdivisions will be required to remit the GST directly to the ATO at Settlement. Whilst land sales contracts and conveyancers will handle the administration of this integrity measure, it will have a cash flow impact on your business with the GST on the Sale going directly to the ATO.

Review and Update Your Business and Marketing Plans

Take time to set yourself up for the year ahead. Regularly reviewing and updating your plans will help you to:

- remind yourself of your goals and priorities
- assess whether your strategies are working
- adapt to any new changes in your environment
- make the most of new opportunities as they come your way
- prioritise and maximise your effort (work smarter, not harder!).

Is Your Business Kicking Goals?

Won an award or generally just awesome? We would love to hear from you! Your success stories will be featured on our FB page, newsletter or website, some great free exposure! Contact Emma for more details.



Be Wary of Tax Scams

The ATO will NEVER ring, email or text you to let you know they OWE YOU a refund!

As your registered tax agent, the ATO will typically contact us first about any debt owing. We then check the debt is valid, and if you don't have a payment arrangement in place we contact you. We will not give the ATO your contact details due to privacy laws unless you authorise us to do so.

If you are contacted directly and you are unsure of or not aware of any debt please let us know straight away and we can check this for you.

There are a number of scams that target small business around tax time.

Common tax time scams include:

- tax refund scams where the scammer will claim you have overpaid your taxes and are eligible for a refund. However, in order for you to receive this refund, they will claim that you need to pay a fee for administration or transfer costs.
- tax owed scams where the scammer will claim that you've underpaid your tax and will need to repay the amount you owe immediately. In order to make this payment, they request your credit or debit card details, or ask you to send money through a money transfer.

Stocktake Reminder – 30 June

Do I need to do a stocktake? Yes, if either your:

- annual income is more than \$10 million
- the value of your stock has changed by more than \$5,000 since the last financial year.

Financial Planning Services

Did you know JSA Accounting is a fully compliant fee for service financial planning business?

We are able to provide advice and services in the following areas:

- Retirement Planning
- Recommendation and Investment of Funds
- Personal Insurances

- Aged Care Advice and Planning
- Estate planning
- Commercial Leases and Conveyancing assistance

We believe we have the knowledge and expertise in both tax and financial planning matters to provide our clients with an excellent and expert service. Indeed, we believe that being both tax agents and financial planners gives us a point of difference over many financial planning firms.

We have had much pleasure assisting a number of our clients with their financial planning during the last year. This work has included investment of surplus money, retirement planning, superannuation advice and aged care advice.

If you are interested in meeting with us to discuss your financial plans, retirement plans or superannuation please make an appointment.

Tax Planning Tips

1. Deductions for business expenses incurred but not paid.

The cost of deductible goods or services that have been invoiced/ billed (or incurred) but not paid for as at 30th June can usually be claimed as a deduction in the income year. Examples are: legal advice, electricity, gas, telephone, advertising, and business materials and supplies.

2. Contribute to Superannuation

Pay all employee superannuation contributions before 30th June. Note that the super must have been actually paid, cleared in the business bank account and received by the employees' super fund by 30th June to be claimed as a tax deduction for June.

3. Stocktake of Inventory

Identify damaged and obsolete stock, and write it down or write it off. This affects the value of the trading stock and hence, your business profit.

4. Review Debtors and Write Off Any Bad Debts

What is a bad debt? It's a taxable sale that has been overdue for 12 months or more and there is no chance of it being recovered. The business must document that the debt has been written off.

5. Deduct Staff Payments

You can deduct staff wages, salaries and commissions that have been incurred by 30th June, even if they haven't been paid by that date. In other words, the employee has performed the work, but he or she has not been physically paid by 30th June. You can still count that for the year in which the work was done.

7. Remember Interest

Interest paid on all business loans, overdrafts and other finance facilities, and any interest accrued on a business loan that has not been paid as at 30th June can be claimed as a deduction.

8. Update Motor Vehicle Claims

Need to update that car? Ensure all cars have a current and up-to-date logbook detailing business-related car travel for a consistent 12 weeks during the financial year to substantiate the business percent usage. Without a valid logbook the maximum amount claimable under the c/km method is 66c/km capped at 5,000kms.