

# YEAR END OBLIGATIONS! June 2015



## Another financial year is about to finish!

### Your Year End Reminders and Obligations

As a business owner, there are many obligations that you need to consider and action over the next few weeks. Some of these will help to minimise your tax. We have outlined these action points below to assist you.

Date	Action Required
BEFORE 30 June 2015	<ul style="list-style-type: none"> <li>• Ensure your employee superannuation payments are received and allocated by your employees' super fund prior to 30 June 2015 to ensure a tax deduction for this year. Any payments made between 1 July 2015 and 28 July 2015 will count towards your Superannuation Guarantee requirement but will not be tax deductible until the 2015 financial year.</li> <li>• If you operate through a trading company review shareholder loan accounts and make minimum loan repayments.</li> <li>• If you operate through a discretionary family trust ensure that a Trust Distribution Resolution for each Trust is signed by 30 June 2015.</li> <li>• Review 2015 <b>LAST MINUTE strategies on our blog</b> to reduce your tax prior to 30 June 2015.</li> <li>• Carry out a stocktake by 30 June 2015.</li> </ul>

Date	Action Required
1 July 2015	<ul style="list-style-type: none"> <li>• Superannuation guarantee rate is still 9.5%</li> <li>• 2% Temporary Budget Repair Levy continues.</li> <li>• Medicare levy increased to 2%</li> </ul>
14 July 2015 or before	<ul style="list-style-type: none"> <li>• Provide 2015 PAYG Payment Summaries to all employees</li> </ul>
28 July 2015	<ul style="list-style-type: none"> <li>• Quarterly Superannuation contributions due for employees (for the period 1 April 2015 to 30 June 2015). <b>THIS IS A KEY DEADLINE!</b></li> </ul> <p><i>(Note: If you fail to meet your requirements by 28 July 2015, you must complete a Superannuation Guarantee Charge Statement and forward it to the ATO together with underpaid superannuation plus administration fees and interest by 14 August 2015. Superannuation Guarantee Charge payments are NOT tax deductible.)</i></p>
14 August 2015 or before	<ul style="list-style-type: none"> <li>• Lodge your 2015 Annual PAYG Payment Summary Statement (for employees) with the ATO. Penalties apply for late lodgement.</li> </ul>
28 Aug 2015	<ul style="list-style-type: none"> <li>• Taxable Payments Annual Report due for lodgement with the ATO (building and construction industry)</li> </ul>

### Key Changes from 1 July 2015

Businesses need to take note of a number of key tax changes that apply from 1 July 2015. These include:

- SBE Company Tax Rate reduced to 28.5% and 5% tax discount for those unincorporated SBE tax payers
- \$20,000 Immediate Deduction for SBE's
- Removal of Tax Free Threshold for Temporary Residents
- Zone Offset for some fly in/fly out employees abolished
- FBT Exemption increased
- Start-ups

#### Please urgently check these key things:

1. Did your payroll software automatically updated for these changes last year? Or do you need to load these changes into your payroll software?
2. Check your first pay run from 1 July 2015 to ensure the changes are correct.

3. Review any salary packaging and calculations and make any adjustments to employee FBT contributions or other items where needed.

## **SBE Company Tax Rate reduced to 28.5%**

Effective 1 July 2015, the company tax rate for SBE (Small Business Entities) reduces by 1.5% from 30% to 28.5%. To be considered an SBE, your group aggregated turnover must be less than \$2,000,000.

For those entities that are not incorporated a 5% tax discount on income from small business activities will apply. The amount of the tax discount will be capped at \$1,000 per individual.

## **\$20,000 Immediate Deduction for SBE's**

From 7:30pm on 12 May 2015, small business entities (SBEs) will be able to claim an immediate deduction for depreciating assets costing less than \$20,000. The amendment reverses changes made by the current Government that reduced SBEs claims on depreciating assets to costs of less than \$1,000 from 1 January 2014 onwards.

Depreciating assets costing \$20,000 or more will be allocated to the SBE's general small business pool and will depreciate at a rate of 15% in the income year in which the assets are first used or installed ready for use. The assets will then be depreciated as part of that pool at 30% in subsequent income years.

If the balance of the General Asset Pool is less than \$20,000 at the end of the income year this is also written off.

## **Removal of Tax Free Threshold for Temporary Residents**

From 1 July 2015 people on a working holiday, also known as temporary residents, will no longer be eligible for the Tax Free Threshold and will be taxed at 32.5% from their first dollar earned. Understanding an employee's residency will be more important than ever.

## **Zone Offset for some fly in / fly out employees abolished**

Starting in the 2015 year fly in / fly out employees will no longer be eligible for generous zone rebates unless they normally live in the defined remote area. Should an employee maintain their usual residence outside of a remote zone they will no longer be eligible for the rebate.

## **FBT Exemption increased**

Fringe benefits tax has been abolished on all portable electronic devices use for work, such as mobile phones, laptops and tablets. Currently the exemption applies only to devices that perform substantially different functions restricting employees to one device. The change takes effect at the start of the next FBT year which commences 1 April 2016.

## **Start-ups**

Professional costs incurred in starting up a new business will now be immediately deductible. Commencing 1 July 2015, previous restrictions meant these costs had to be apportioned over five year period. For those who have started business as a sole trader and wish to change structure there are new capital gains tax exemptions.

## **2% Debt Tax for High Income Earners**

From 1 July 2014 until 30 June 2017, a 2% Temporary Budget Repair Levy, or debt tax, applies to individuals on their taxable income in excess of \$180,000 per annum. This means that the tax rate increased by 2% for every dollar of taxable income you earn above \$180,000 in a financial year.

Be aware that if you have a one-off spike in income after 1 July 2014, for example from the proceeds of a sale of business or a capital gain from the sale of an investment property, the debt tax is likely to impact on this increase in personal income.

If you have employees or directors affected by the debt tax, talk to us about strategies to lessen the impact.

## **Medicare Levy Increase**

In May 2013, the former Government announced an increase in the Medicare Levy by half a percentage point effective from 1 July 2014. This increase took the Medicare Levy to 2%.

The increase in the Medicare levy rate has also impacted on the FBT rate from 1 April 2014. This will be particularly important for businesses that have FBT liabilities each year as the cost of providing non-cash benefits and living away from home allowances to employees will rise.

## **2% Fringe Benefits Tax Rate Increase**

The Fringe Benefits Tax (FBT) rate increased by 2% from 47% to 49% from 1 April 2015 until 31 March 2017. The increase is to prevent individuals attempting to use the FBT system to avoid the 2% Temporary Budget Repair Levy.

The cash value of benefits received by employees of public benevolent institutions and health promotion charities, public and not-for-profit hospitals, public ambulance services and certain other tax-exempt entities will not change as the annual FBT caps are also increasing. For public benevolent institutions and health promotion charities, the exemption threshold from FBT is a grossed-up annual cap of \$31,177 per employee. For public and not-for-profit hospitals and public ambulance services the exemption threshold is \$17,667 per employee.

In addition, the fringe benefits rebate rate will be aligned with the FBT rate from 1 April 2015.

## Superannuation Guarantee

From 1 July 2014, superannuation guarantee (SG) contributions are 9.5%. Please double check your payroll processes to ensure that the change in SG was applied properly from 1 July 2014.

**Note: If you use the XERO online accounting and payroll system, you do not need to update the superannuation rates, since XERO automatically does this for you on an ongoing basis. Another great reason for using XERO!**

As announced in the 2014/2015 Federal Budget, the intention is for the SG rate to remain at 9.5% until 30 June 2021 and then increase by 0.5% each year until it reaches 12%.

## Trust Distributions - Timing of Resolutions

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2015 at the latest (the trust deed may actually require this to be done earlier). Decisions made by the trustees should be documented in writing by 30 June 2015.

If valid resolutions are not in place by 30 June 2015, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

## You might not need to do a Stocktake

Small Business Entities (operational businesses with an aggregated turnover below \$2 million) have access to a range of tax concessions. One of these concessions is the simplified trading stock rules. Under these rules, you can choose not to conduct a stocktake for tax purposes if there is a difference of less than \$5,000 between the opening value of your trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year. You will need to record how you determined the value of trading stock on hand.

If you would like to take advantage of the simplified trading stock rules, call us today to make sure you are eligible to use the simplified rules and to discuss how to use them properly.

## Fuel Excise Increase

The cost of fuel will increase with the reintroduction of bi-annual indexing. As announced in the 2014/2015 Federal Budget, the Government has resumed bi-annual indexation by the CPI of excise and excise-equivalent customs duty from 10 November 2014. Aviation fuels are excluded from indexing.

## Deadline for 2015 PAYG Payment Summaries

You need to provide 2015 PAYG Payment Summaries to your employees and other workers by 14 July 2015. These must then be submitted to the ATO by 14 August 2015 or penalties will apply.

**Action Step:** If you have any doubt about how to correctly complete your 2015 PAYG Payment Summaries, please contact us for assistance BEFORE you prepare them.

## Building and Construction Industry Reporting

From 1 July 2012, new tax reporting rules apply for businesses in the building and construction industry. Businesses will have to lodge an annual report with the ATO setting out details of payments made to contractors. This will assist the ATO to reduce the "cash economy" by ensuring tax is paid on all income including "cash" payments.

You will need to record the following details of all payments made to contractors for building and construction services:

- The ABN of the contractor
- The name and address of the contractor
- The gross amount paid for the financial year, including GST
- The total GST included in the gross amount paid

If you use computerised accounting software, your system should be able to track this information for you and prepare the required Taxable Payments Annual Report.

**Action Step:** Ensure that you lodge your Taxable Payments Annual Report with the ATO no later than 28 August 2015.

## Payroll Tax

Payroll tax applies to all entities that have an Australian payroll that exceeds state-based limits.

You should note that in addition to normal salaries and wages, the following items are generally also included in payroll expenses if payroll tax applies:

- fringe benefits based on the grossed-up taxable value of fringe benefits;
- all employer contributions to superannuation on behalf of employees; and
- some contractor or sub-contractor fees.

For more detailed information about whether payroll tax applies to your business, please contact our office.

**Action Step:** The Annual Return/Reconciliation for payroll tax must be lodged by 21 July 2015 with your State Revenue Office.

## WorkCover/WorkSafe

Your WorkCover/WorkSafe insurer sends an annual reconciliation to all registered employers at the end of the financial year.

In completing your annual reconciliation, you will need to include the following items in addition to normal salaries and wages:

- fringe benefits based on the taxable value of fringe benefits (do not gross-up);
- all employer contributions to superannuation on behalf of employees; and
- some contractor or sub-contractor fees.

For more detailed information about what items to include in the reconciliation statement, please contact our office.

Once the reconciliation is received and processed by your WorkCover/WorkSafe insurer, you will be issued with a final assessment or a refund depending on the instalments you have paid during the year.

**Action Step:** Complete and lodge the Annual Reconciliation with your WorkCover/WorkSafe insurer by the due date.

## Goods and Services Tax (GST)

A reconciliation of GST should be performed as at 30 June 2015 to determine if there has been an under or over-payment of GST in the 2015 tax year. If a discrepancy has arisen, then it is possible to amend a subsequent Business Activity Statement (BAS) to rectify the error, however there are limits imposed on adjustments that can be made in this way.

Income declared on your BAS should be reconciled to income declared on your income tax returns.

Also, please note that you are required by law to substantiate all Input Tax Credit claims with a complying Tax Invoice, and you need to retain these documents for a minimum of 5 years.

**Action Step:** Complete the annual GST reconciliations, and check that you have all required tax invoices and other supporting documents.

## ATO Audit Activity

Please note that the ATO and State Revenue Office are constantly increasing their audit activities. In particular, there has been an increase in audit activity for PAYG Withholding, Payroll Tax, WorkCover, GST, Division 7A loan accounts from companies, and Trust distributions from Discretionary Trusts.

We are able to offer a review of your records and record-keeping procedures if you are concerned about your ability to satisfy an audit.

**Action Step:** Please contact our office if you would like to request this service.

## Last Minute Tax Minimisation Tips

Here's a few final reminders about ways to reduce your tax for 2015

1. Write-off Bad Debts

2. Write-off any trading stock that is damaged or obsolete
3. Review your asset register and scrap any obsolete plant and equipment
4. Pay for repairs, consumables, office stationery, and donations before 30 June 2015
5. Ensure employee superannuation contributions are made (and received by your employees superannuation fund) by 30 June 2015 to allow a tax deduction this financial year
6. Realise any capital losses you have before 30 June 2015 to offset against any capital gains you may have made

## Want to talk?

Feel free to call our office any time  
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