



Business Advisor

June 2018

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2018 Budget Changes

Single-Touch Payroll System

- Employers with 19 or less will commence the single touch payroll system on 1 July 2019.
- Each time you pay your employees under this system, you are required to send income, tax and super information directly to the ATO. This can be by way of single touch payroll compliant software (check with your accounting software provider) or alternatively, at additional costs a third party can assist you with the reporting, such as a registered agent that provides a payroll service, a BAS agent or a tax agent.
- Speak to your payroll software provider. If they are not ready they will give you a deferred start date.
- If your payroll software is ready but you are not, you can apply for your own deferral.
- Employers with 20 or more will already be under the single touch payroll system as of 1 July 2018.

Small Business Entity (SBE)

- The SBE turnover threshold has been raised from \$2m to \$10m. The increased turnover allows access to certain SBE tax concessions not previously available such as a lower small business company tax rate, accelerated depreciation and immediate write-off of plant less than \$20,000 (extended to 30 June 2019) and accounting for tax on a cash basis.
- Small Business Tax Offset of up to \$1000 will be available to small business sole traders and partnerships.
- SBE companies have a reduced tax rate of 27.5% down from 30%.
- Immediate write-off of plant less than \$20,000 has been extended 30 June 2019, available to both new and second-hand asset purchases. This will become law once the legislation passes through the senate.
 - For SBE's registered for GST the amount is \$22,000 inclusive of GST.
 - For SBE's not registered for GST the amount is \$20,000 inclusive of GST.
 - An immediate write-off of pool balances less than \$20,000 has also been extended to 30 June 2019.
 - SBE's who have previously opted out of the simplified depreciation rules can re-enter at any time until 30 June 2019 with the suspension of a 5-year waiting period, allowing all SBE's to take advantage of the increase in value of the asset write-off threshold.
- Items costing more than \$20,000 can be allocated to a general depreciation pool and written off at 15% p.a. in the year of purchase and 30% p.a. thereafter.

Superannuation Guarantee Amnesty Period

- Employers with any outstanding superannuation guarantee contributions that were due prior to 1 April 2018 can be paid within the period of 24 May 2018 to 23 May 2019 to receive a tax deduction. This will become law once the legislation passes through the senate.



Allow Catch-up Concessional Superannuation Contributions

- The government will continue to allow individuals with a superannuation balance of less than \$500,000 to make additional concessional contributions where they have not reached their concessional contributions cap in previous years. This measure will apply only to unused amounts accrued from 1 July 2017.

GST on Property Transactions

- From 1 July 2018, purchasers of newly constructed residential properties or new subdivisions will be required to remit the GST directly to the ATO as part of settlement. As the majority of purchasers utilise conveyancing services when purchasing property, it is expected there should be minimal impact on the purchasers'.

Additions to the Taxable Payments Reporting System

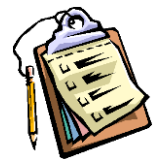
- From 1 July 2018, the government will extend reporting to contractors in the courier and cleaning industries. Under the system, businesses are already reporting payments within the building and construction industry. Businesses in the courier and cleaning industries will be required to collect information from 1 July 2018 in preparation for the first annual report due in August 2019.

ATO Audit Activities

- The Government will continue to fund ATO and compliance programs to target black economy and related behaviours such as non-lodgement, omission of income and non-payment of employer obligations.
- Please ensure your audit protection insurance is up to date for another year to guarantee our assistance, should you find yourself subject to an ATO audit. Without audit protection insurance, our assistance with an audit could be costly. If you would like to know more, please call Stacy or Sophie on phone 4922 5856.



Year End Tax Planning Measures



It is probably a good time to revisit year-end tax planning strategies now to minimize or defer tax.

Trade Debtors/Creditors

- For businesses which were formerly under the Simplified Tax System and with an annual turnover of less than \$10m, tax is only paid on the receipt of income. In other words, any outstanding debtors at the 30 June 2018 are deducted from the profit for tax purposes as they are not received until the following tax year. Conversely, outstanding creditors at year end are added back into the profit as the SBE will not get a deduction until the creditors are paid. So from a tax planning point-of-view, you should pay all your creditors (so long as your cash flow allows for it) by the 30 June to minimize your taxable income and, therefore, tax payable.

Superannuation

- Superannuation is one expense which you can only claim as a tax deduction if you pay it. In particular, we are talking about employee superannuation. If you run accounting software such as MYOB, Reckon or Xero, the program will accrue superannuation liabilities for employees (as well as PAYG withholding and other entitlements). Your June quarter superannuation guarantee payments are actually not due until 28 July 2018. However, if you pay it then, you will only get a tax deduction for it in the 2018/19 year. By paying the employee super by 30 June, you will get the tax deduction in 2017/18.

Bad Debts

- Trading conditions have been tough over the last couple of years and we have seen the incidence of bad debts rising. You are entitled to a tax deduction so long as the debt is physically written off with little prospect of recovery. It is important that you review your aged trade debtors now to write off any irrecoverable debts.

Motor Vehicle Claims

- As was the case in 2016/17, only the logbook method and cents per kilometre method are available to taxpayers as the other methods have been repealed. Furthermore, the rate of claim for the cents per kilometre of 66c/km remains.

New Website, Facebook Page and Emails

You might not already know, but we would like to take this opportunity to inform you that we have had our new website and Facebook page up and running for the past 12 months. It has all the usual “Our Services” and “Our People” as well as up-to-date newsletters and important links for business, employers and other important government websites. There is also the client portal login if you wish to retrieve financial statements and tax returns. You can also upload files to us such as your MYOB or Reckon data files via the client portal which may sometimes be too large to email.

As a consequence of having a new website, we also have new emails for all of the staff. They are as follows:-

Con Galvin	Con@congalvin.com.au
Peter Kennedy	Peter@congalvin.com.au
Jody Baxter	Jody@congalvin.com.au
Stacy Lloyd	admin@congalvin.com.au
Sophie Moffat	admin@congalvin.com.au

Would you please update the above emails as the old ones will be phased out over the next 6 months.

New rules for selling property over \$750,000 (previously \$2 million)

From 1 July 2017, new rules apply to sales of certain taxable Australian property. Broadly speaking, where a foreign resident disposes of taxable Australian property with a market value of \$750,000 or above, the purchaser will be required to withhold 12.5% (previously 10%) of the purchase price and pay that amount to the ATO.



This means **Australian resident** vendors of real property with a market value of \$750,000 or above will need to **apply for a clearance certificate** from the ATO and provide this to the purchaser before settlement to ensure no funds are withheld from the sale proceeds. The clearance certificate will be valid for 12 months and must be valid at the time the transaction is entered into to avoid this withholding

obligation. Failure to provide this clearance certificate to the purchaser means that the purchaser will have to withhold 12.5% of the purchase price and remit the amount to the ATO. Should this occur, the vendor will have to apply to the ATO to recover the withheld amount, which may take some weeks or months to refund?

This new law may have limited application to clients but it does apply to all taxable Australian property, e.g. rural properties, hotel and motels, industrial sheds and residential properties.

ATO to begin reporting tax debts to credit rating agencies

From 1 July 2017, the Australian Taxation Office (ATO) can disclose to Credit Reporting Bureaus the tax debt information of businesses that have not effectively engaged with the ATO to manage those debts. Defaults being recorded on a taxpayer's commercial credit file will have immediate and lasting consequences for a defaulting taxpayer. A credit default is a black mark that lasts for five years, and creates an environment where support from financiers may be withdrawn and supplier credit stopped.

Initially, the ATO will be applying this new disclosure measure to businesses with a tax debt greater than \$10,000 and is in default (at least 90 days overdue).

If you have a tax debt that is 90 days or more overdue, you need to secure a payment arrangement with the ATO **before 30 June 2018**, regardless of how big or small the tax debt is. We also encourage everyone who has outstanding tax payments not yet in default, to get these paid as soon as possible.

If you have any queries regarding these changes, please feel free to contact our team at Con Galvin & Associates.



L-R: Peter Kennedy, Sophie Moffat, Con Galvin,
Stacy Lloyd, Jody Baxter