



Taxable payments reporting – Building & Construction Industry

From 1 July 2012, businesses in the building and construction industry need to report the total payments they make to each contractor for building and construction services each year.

The payments will be recorded on the *Taxable payments annual report*.

On the report, you will need to record the contractors ABN, name, address, gross amount you paid for the financial year (incl. GST), and the total GST included in the amount you paid.

This means that you will need to ensure the invoices you receive from your contractors contains all of the above information.

You are not required to report on payments for materials only, but if you make a payment for labour and materials, you report on the whole amount unless the labour is incidental.

The first *Taxable payments annual report* is due 21 July 2013 for payments made in the 2012-2013 financial year.

The ATO have provided a worksheet for you to fill out when preparing your *Taxable payments annual report* – it can be found at the following website:

<http://www.ato.gov.au/content/downloads/BUS00313486js23659.pdf>

You will need to report payments you make to contractors for building and construction services.

Building and construction services include any of the activities listed below if they are performed on, or in relation to, any part of a building, structure, works, surface or sub-surface:

- Alteration
- Assembly
- Construction
- Demolition
- Design
- Destruction
- Dismantling
- Erection
- Excavation
- Finishing
- Improvement
- Installation
- Maintenance
- Management of building and construction services
- Modification
- Organisation of building and construction services
- Removal
- Repair
- Site preparation.

You are considered to be a business that is primarily in the building and construction industry if any of the following apply:

- in the current financial year, 50% or more of your business activity relates to building and construction services
- in the current financial year, 50% or more of your business income is derived from providing building and construction services
- in the financial year immediately before the current financial year, 50% or more of your business income was derived from providing building and construction services.

For more information, follow the link below:

<http://www.ato.gov.au/businesses/content.aspx?menuid=0&doc=/content/00313486.htm&page=1&H1>

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Employer Superannuation Guarantee increases from 1 July 2013

As part of the Governments Smarter Super initiative, employers will have to start paying compulsory super at an increased rate.

From 1 July 2013, employers will be paying 9.25% superannuation on an employee's ordinary time earnings (see definition below). This superannuation guarantee amount will increase by 0.25% per year until it reaches 12% by July 2019.

Ordinary time earnings are what your employees earn for their ordinary hours of work, including over-award payments, bonuses, commissions and allowances. Payments that aren't classified as ordinary time earnings include overtime payments and payouts of unused sick, long service and annual leave.

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2012-13 year. The maximum government co-contribution being \$0.50 for every \$1 personally contributed. The full co-contribution of \$500 is available to taxpayers who earn less than \$31,920 and contribute \$1,000. Above this income amount, the maximum co-contribution will be reduced by 3.333 cents for each dollar of income earned and to phase out completely when income reaches \$46,920.

New concessional (tax deductible) contributions cap from 1 July 2013

Under the Governments super reforms there have been changes made to the superannuation concessional contributions cap from 1 July 2013.

- Taxpayers under 60 years of age from 1 July 2013 will be eligible for the \$25,000 concessional contributions cap.
- Taxpayers who are aged 60 or more from 1 July 2013 will be eligible for the \$35,000 concessional contributions cap.

If you have a salary sacrifice agreement with your employer make sure that you will not go over your appropriate cap in the 2012/13 or 2013/14 years otherwise excess contributions tax at 31.5% will apply for any amount over your cap.

Small Business Benchmarks on the ATO radar

The cash economy remains a major focus of the ATO with compliance work in this area aimed at identifying businesses that engage in activities such as paying cash wages and skimming cash takings to avoid income tax, GST and superannuation obligations.

The ATO have developed an extensive set of benchmarks for various industries that relate to gross profit margins, turnover to labour, turnover to rent, turnover to motor vehicle costs etc.

It is these benchmarks that the ATO compare your ITR figures to when deciding if an audit is required.

The ATO acknowledge that there may be valid reasons for businesses to be operating outside these benchmarks. In the case of an audit raised from the use of the benchmarks the ATO will have a close look at your record keeping systems to ascertain if you have shown that your business has legitimate reasons why it operates outside the benchmarks. So the record keeping is essential and needs to meet ATO standards.

If the ATO find that your record keeping does not support your reasons why your business is operating outside the benchmarks they will assess you for income tax based on the benchmark figures for your industry and this will result in extra income tax to pay along with interest charges & penalties.

Not all industries have benchmarks set by the ATO, but all industries that the ATO identify with a 'cash economy' will have a benchmark.

As tax agents we are required to compare your figures with those set by the ATO's benchmarks and we will advise you if you are inside or outside the benchmark when we prepare your annual financial statements & ITR's.



AUDIT

Small business concessions: changes to simpler depreciation rules apply from 2012-13

From 2012-13 year:

- the small business instant asset write-off threshold has been increased from \$1,000 to \$6,500
- the long-life small business pool and the general small business pool have been consolidated into a single pool to be written off at one rate of 30%
- small businesses can claim an accelerated initial depreciation deduction of \$5,000 for motor vehicles acquired in 2012-13 and subsequent years.

These amendments only apply to small businesses that have an aggregated annual turnover of less than \$2 million.

Aggregated turnover includes the annual turnover of the small business and the annual turnovers of any connected or affiliated businesses.

Medical expenses tax offset reforms

Where a taxpayer's adjusted taxable income exceeds the relevant income test (\$84,000 for singles, \$168,000 families) threshold both of the following changes will apply:

- Can only claim rebate on eligible medical expenses exceeding \$5,000; and
- The rate of the tax offset will be reduced to 10% for each \$1 above \$5,000.

Those taxpayers who have an adjusted taxable income below the thresholds will still be able to claim the rebate at 20% for medical expenses exceeding \$2,120.

On budget night the Government advised that they will be phasing out the net medical expense offset.

From 1 July 2013, those taxpayers who received the offset in their 2012-13 income tax assessment will continue to be eligible for the offset for the 2013-14 income year if they have eligible out-of-pocket medical expenses above the relevant claim threshold.

Similarly, those who receive the tax offset in their 2013-14 income tax assessment will continue to be eligible for the offset in 2014-15.

The changes mentioned above will not apply to all taxpayers - the offset will continue to be available for taxpayers with out-of-pocket medical expenses relating to disability aids, attendant care or aged care expenses until 1 July 2019.

Safe Tax

We are again offering our safe tax audit fee protection cover. This small tax deductible cost covers **all** types of audits that taxpayers can be subjected to, and provides you with the **peace of mind** that it will not cost you any extra in accounting fees to have us manage your audit.

History shows that the cost to prepare the required audit documentation can range anywhere from \$1,000 to \$5,000 plus, and this may be more depending on the complexity and type of audit involved.

The ATO have been increasing their audit activity over the last few years and will be provided with another \$337.5 million from the Government towards GST compliance alone over the next four years.

Another \$107.9 million will be spent focusing on the cash economy over the next four years. The ATO have developed small business benchmarks for over 100 different small businesses, the ATO is using these benchmarks to select businesses for audit.

It is to your advantage to take up Safe Tax as soon as possible. *Cover begins from the date of payment through to 30th June 2014.* Please contact Trish at our office with any queries regarding which rate applies to you.

In addition to this, there are also a number of measures which you can take to minimise the risks and costs in the event of an audit.

Including:

- Keeping all work related expense receipts in a secure place for five years.
- Remember to inform us if you own shares which have dividends that are reinvested under a dividend re-investment plan. These dividends are taxable as income.
- If you are claiming work related travel up to 5000 kilometres, keep a written record of trips which you have undertaken



FMD thresholds increased

From 1 July 2014, the non-primary production threshold for FMD's will be increased from \$65,000 to \$100,000.

This means that primary producers will be able to claim deductions for FMD's where their non-primary production income does not exceed \$100,000.

Farmers don't forget your livestock numbers

One of most requested pieces of information when preparing your Income Tax Returns is the number of stock on hand at the end of the year.

Attached to the back of our newsletter is a record sheet for your livestock numbers as at 30/6/2013. Please fill this in and return it to our office at your earliest convenience.

Dependant Spouse Rebate

From 1 July 2012, Dependant spouse tax offset only available to those spouses who were born before 1 July 1952 (60+ years of age). Those taxpayers maintaining a spouse born on or after 1 July 1952 who is unable to work due to invalidity or carer obligations will remain to be entitled to claim the dependant tax offset.

Do we have your email address?

Here at Adams Accounting, we like to look after the environment.

We would like to collect your email address so that we can email you our newsletter and any other information, doing our bit for the environment along the way.

If you wish to receive future newsletters from us electronically, please provide your email address during your appointment.



Reducing the claim period for Family Assistance claims

Families that choose to wait until the end of the financial year to claim their FBT entitlement or Child Care Benefit will now have a grace period of 1 year instead of 2.

The change will start from the 2012/13 entitlement year, meaning families have 12 months from the end of the year (e.g. until 30 June 2014) to claim their payments. This means that you will have to have your 2013 return lodged by the 30/6/2014 so that you can claim any Centrelink entitlements in time.

Do you receive taxable payments from Centrelink?

From 1 July 2013 Centrelink will no longer be issuing payment summaries for any pensions or allowances received. If you receive age pension, youth allowance, newstart allowance or parenting payments you need to print off your payment summary from Online Services and include it with your tax information. Alternatively you can email it to our office admin@adamsaccounting.com.au and we will add it to your file for safe keeping.

Inactive bank accounts at risk of being seized

From May 31, 2013 the Australian Government will be able to transfer all money from accounts that have not been used for three years into their own revenues.

This means that accounts with anything from \$1 upwards that have not had any deposits or withdrawals in the past three years will be transferred to Australian Securities and Investment Commission (ASIC).

You need to be aware that you face having accounts frozen and could face months of delays trying to reclaim your money from ASIC.

If you have any accounts that have been lying dormant for 3 years – perhaps money put away for children's education, or for retirement – you need to consider moving the funds to another account or making an annual deposit or withdrawal to ensure that your funds don't get confiscated by the Australian government

ATO hot topic... CONTRACTOR or EMPLOYEE

The ATO are coming down harder on individuals applying for ABN's as they want proof the individual is actually satisfying the meaning of a Contractor. Below is a table that indicates the ATO's view on Contractor vs. Employee. The following is only part of the information that needs to be looked at in relation to assessing if a person is an employee or contractor, but it gives you a guide.

Employee	Contractor
An employee works in your business and is part of your business. Characteristics of an employee include the following.	A contractor is running their own business and provides services to your business and to the general public. Characteristics of a contractor include the following.
Ability to sub-contract/delegate: the worker cannot sub-contract/delegate the work - they cannot pay someone else to do the work.	Ability to sub-contract/delegate: the contractor is free to sub-contract/delegate the work - they can pay someone else to do the work.
Basis of payment: the worker is paid: for the time worked a price per item or activity a commission.	Basis of payment: the worker is paid for a result achieved based on the quote they provided.
Equipment, tools and other assets: your business provides all or most of the equipment, tools and other assets required to complete the work, or the worker provides all or most of the equipment, tools and other assets required to complete the work, but your business provides them with an allowance or reimburses them for the cost of the equipment, tools and other assets.	Equipment, tools and other assets: the contractor provides all or most of the equipment, tools and other assets required to complete the work. The contractor does not receive an allowance or reimbursement for the cost of this equipment, tools and other assets.
Commercial risks: the worker takes no commercial risks. Your business is legally responsible for the work performed by the worker and liable for the cost of rectifying any defect in the work.	Commercial risks: the contractor takes commercial risks, with the contractor being legally responsible for their work and liable for the cost of rectifying any defect in their work.
Control over work: your business has the right to direct the way in which the worker performs their work.	Control over work: the contractor has freedom in the way the work is done subject to the specific terms in any contract or agreement.
Independence: the worker is not operating independently from your business and derives most of their income from your business. They work within and are seen as part of your business.	Independence: the contractor is operating their own business independently from your business. The contractor performs services as specified in their contract or agreement and is free to accept or refuse additional work.

If an audit is undertaken and a contractor is determined to be an employee and has been treated as a contractor in the past there are two main areas of concern:

1. Superannuation Guarantee is payable – the ATO can go as far back as when the individual first started contracting for you and calculate the superannuation guarantee (9%) on all payments, plus administrative and interest penalties.
2. Penalty rates on overtime and public holidays are payable – if the contractor, now treated as an employee, worked on public holidays, weekends or overtime you as the employer are liable for paying the individual all penalty rates associated with the work done since day dot and annual leave and LSL will be accruing as well.

If you have concerns about your arrangement with your contractors please contact us so that the situation can be assessed & potential nasty problems avoided.

Private Health Insurance (PHI) rebate to be means tested from 1 July 2012

From 1 July 2012, the Government will introduce a new 3 tier PHI system which will affect people with private health cover in the following ways:

- a) This will effectively means test eligibility for the PHI rebate for:
 - o Single individuals whose income for surcharge purposes is at least \$84,000; and
 - o Couples/families with a combined income for surcharge purposes of at least \$168,000
- b) An increase in the rate of Medicare Levy Surcharge for individuals and families without private health insurance.

The new income tiers will effectively means that higher income earners will receive less PHI rebate and can be explained as below:

Income Tiers	Income level	PHI Rebate			Medicare levy surcharge
		Below age 65	Age 65 – 69	Age 70+	
No tier	Singles \$0 - \$84,000 Families \$0 - \$168,000	30%	35%	40%	NIL
Tier 1	Singles \$84,001 - \$97,000 Families \$168,001 - \$194,000	20%	25%	30%	1%
Tier 2	Singles \$97,001 - \$130,000 Families \$194,001 - \$260,000	10%	15%	20%	1.25%
Tier 3	Singles \$130,001+ Families \$260,001+	0%	0%	0%	1.5%

Note: for those with more than one dependent child, the relevant threshold is increased by \$1,500 for each child after the first. In future years, all of the above thresholds will be indexed to average weekly ordinary time earnings (i.e. wages).

You need to advise your PHI organisation of your estimated income for 2012-13 so that the correct rebate amount is taken from the premium. Once the ITR is lodged, if the ATO see that you have overestimated your income, you will receive a refund for the overpaid premium amount via your notice of assessment (NOA).

If you have underestimated your income (and therefore received more of a PHI rebate than you should have) you are liable to pay the excess to the Commonwealth via your tax refunds and it will show on your NOA of funds paid for underpaid premiums.



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