ADAMS ACCOUNTING

CHARTERED ACCOUNTANTS / BUSINESS ADVISORS / TAXATION SPECIALISTS

Business Newsletter **June 2014**

Taxable payments reporting – Building & Construction Industry

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 *Taxable payments annual report* is due for lodgement on 21 July 2014 for payments made in the 2013-2014 financial year.

Inside This Issue

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 30/6/2014. Please fill this in and return it to our office at your earliest convenience.

Incentive to employ mature aged workers

The Government has announced that businesses will be paid $10,000 for employing workers over 50.

Under the initiative, businesses that hire employees over the age of 50, will be given $3000 for the first 6 months. They will then be given another $3000 after 12 months, another $2000 after 18 months, and, finally, another $2000 at 2 years.

To be eligible, the employee has to have been receiving income support for at least six months prior to employment.

Year-end tax planning tips

1. Defer receipts of income until after 30 June 2014
2. Accelerate deductions into the current year – this means buying small plant/equipment items for $1,000 or less.
3. Scrap obsolete trading stock
4. Scrap obsolete items of plant & equipment
5. Write off bad debts
6. Defer sales of capital gains tax assets until after 30 June 2014.
7. Contribute an amount to your superannuation fund – for details of the maximum you can contribute see our article on page 2 about concessional contribution caps.

For specific advice regarding your current situation please contact us.

Employer Superannuation Guarantee increases from 1 July 2014

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

From 1 July 2014, employers will be paying **9.50%** superannuation on an employee's ordinary time earnings (see definition below).

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 2013-14 year with the maximum government co-contribution being $0.50 for every $1 personally contributed. The maximum co-contribution of $500 is available to taxpayers who earn less than $33,516 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 $48,516.

Concessional (tax deductible) contributions cap

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 2013/14 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax rate (previously taxed at 31.5%).

Instant asset write-off and simplified depreciation

The Government has introduced a Bill containing the provision to effect changes to the instant asset write-off for small business, to come into effect from 1 January 2014.

However, these proposed changes are still have not been enacted through parliament. This creates uncertainty in the immediate future.

Since 1 July 2012, small businesses have been able to write-off depreciating assets costing less than $6,500 in the income year in which they start to use the asset, or have it installed ready for use. They can also depreciate most other assets in the general small business pool at a rate of 15% in the first year, and 30% thereafter.

If the proposed changes are enacted, the threshold will change and only assets costing less than $1,000 will be eligible for immediate write-off. Assets costing $1,000 or more will need to be depreciated in the general small business pool.

If the changes are enacted from 1 January 2014, assets costing less than $6,500 which were acquired and installed ready for use between 1 July 2013 and 31 December 2013, will still be eligible to be immediately written off.

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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.

Family Assistance claims

Families that chose to wait until the end of the financial year to claim their FTB entitlement or Child Care Benefit will need to have your 2014 return lodged by the 30/6/2015 so that you can claim any Centrelink entitlements in time.

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.

Dependant Spouse Rebate

Dependant spouse tax offset is only available to those spouses who were born before 1 July 1952.

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.

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 2015.* 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

Private Health Insurance (PHI) rebate means tested

The income tiers 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 - $88,000 **Families** $0 - $176,000	30%	35%	40%	NIL
Tier 1	**Singles** $88,001 - $102,000 **Families** $176,001 - $204,000	20%	25%	30%	1%
Tier 2	**Singles** $102,001 - $136,000 **Families** $204,001 - $272,000	10%	15%	20%	1.25%
Tier 3	**Singles** $136,001+ **Families** $272,001+	0%	0%	0%	1.5%

You need to advise your PHI organisation of your estimated income for 2013-14 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.

Medicare Levy Surcharge Thresholds

For the year ending June 2014, the Medicare levy surcharge (additional 1%) will apply to singles earning over $88,000 and $176,000 for those who are members of a family. These thresholds apply to taxpayers who **do not** have private health insurance that includes hospital cover – see the table above for the rate of Medicare levy surcharge for high income earners.

Medicare Levy Low Income Thresholds

The Medicare Levy low-income thresholds for the 2013/14 year are $20,542 for individuals and $39,638 for families. These thresholds increase by $3,640 per dependent child/student.
The low-income threshold for Senior Australian and Pension Offset (SAPTO) claimants is $32,279.

Difference between employees and contractors

Employee	Contractor
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 worker 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 worker provides all or most of the equipment, tools and other assets required to complete the work the worker 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 worker takes commercial risks, with the worker being legally responsible for their work and liable for the cost of rectifying any defect in their work.
Control over the work: your business has the right to direct the way in which the worker performs their work.	**Control over the work:** the worker 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. They work within and are considered part of your business.	**Independence:** the worker is operating their own business independently from your business. The worker performs services as specified in their contract or agreement and is free to accept or refuse additional work.