

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 August 2015 for payments made in the 2014-2015 financial year.



INSIDE THIS ISSUE

- 2** Superannuation | Instant asset write-off
- 3** Dependent Spouse Offset | Safe Tax
- 4** Private health rebate means tested
- 5** Small Business Benchmarks

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.

Mature age job seekers employed for at least 30 hours per week attract the full rate of the Restart wage subsidy. Eligible job seekers employed between 15-29 hours per week attract a pro-rata Restart subsidy.

Year-end tax planning tips

1. Defer receipts of income until after 30 June 2015
2. Accelerate deductions into the current year – this means buying small plant/equipment items for \$20,000 or less
3. Scrap obsolete trading stock
4. Scrap obsolete items of plant & equipment – look at your depreciation schedule from last year and note the items you no longer have/use and provide with your other information
5. Write off bad debts
6. Defer sales of capital gains tax assets until after 30 June 2015.
7. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2015.
8. 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.

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2014-15 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 \$34,488 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 \$49,488.

Concessional (tax deductible) contributions cap

Taxpayers 49 years or over on 30 June 2014 are eligible for the \$35,000 concessional contributions cap, if they make their contribution before 30 June 2015.

The contribution cap for those aged under 49 years on 30 June 2014 is \$30,000, if they make the contribution before 30 June 2015.

If you have a salary sacrifice agreement with your employer make sure that you will not go over your appropriate cap in the 2014/15 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax rate.

Accelerated depreciation for primary producers

In the 2015-16 Federal Budget, the government announced that it will allow all primary producers to:

- immediately deduct the cost of fencing and water facilities such as dams, tanks, bores, irrigation channels, pumps, water towers and windmills
- depreciate over three years the cost of fodder storage assets such as silos and tanks used to store grain and other animal feed

The government initially advised that this would take effect from 1 July 2016 but has now announced that this measure will **start from 7:30pm (AEST) 12 May 2015**.

Accelerated depreciation for small business is back.

Small businesses with aggregate annual turnover of less than \$2 million can immediately claim a tax deduction in the year they start to use or the item or is installed ready for use, where the asset costs up to \$20,000 net of GST.



This will apply for assets acquired and installed ready for use between 7.30pm (AEST) 12 May 2015 and 30 June 2017. From 1 July 2017 the limit will revert back to the existing \$1,000 threshold.

ATO payment arrangements

It may be necessary where cash flow is tight, to set up a payment arrangement with the Australian Tax Office to meet your tax liabilities.

The ATO have advised that they will now be setting up direct debit arrangements when a client or tax agent phones to make a payment arrangement on a client's account – this will in most cases be where there has been a default on a payment arrangement in the past, or there is a long standing debt that will take over 12 months to pay off.

The bank account for direct debit arrangements needs to be either the bank account that is registered with ATO on the portal, or an account that can be authorised over the phone. In most cases, as tax agent, we are able to authorise a different bank account on behalf of clients.



Dependent spouse & mature aged worker offsets removed

In the 2014-15 Federal Budget, the government announced that it will abolish the Dependent Spouse Tax Offset from 1 July 2014.

In addition, a person who is eligible for the zone offset will from 1 July 2014 only be entitled to claim for a dependent (including a spouse) who is an invalid or cares for an invalid.

Mature age worker offset abolished

From the 1 July 2014, the mature age worker offset will no longer be available. Previously, the offset was available to taxpayers born before 1 July 1957.

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.



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 2016*. 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:

Status	Income thresholds			
	Base tier	Tier 1	Tier 2	Tier 3
Single	\$90,000 or less	\$90,001 – \$105,000	\$105,001 – \$140,000	\$140,001 or more
Family	\$180,000 or less	\$180,001 – \$210,000	\$210,001 – \$280,000	\$280,001 or more
Age	Rebate for premiums paid, 1 July 2014 – 31 March 2015			
Under 65 yrs	29.040%	19.360%	9.680%	0%
65–69 yrs	33.880%	24.200%	14.520%	0%
70 yrs or over	38.720%	29.040%	19.360%	0%
	Rebate for premiums paid, 1 April 2015 – 30 June 2015			
Under 65 yrs	27.820%	18.547%	9.273%	0%
65–69 yrs	32.457%	23.184%	13.910%	0%
70 yrs or over	37.094%	27.820%	18.547%	0%

You need to advise your PHI organisation of your estimated income for 2014-15 year 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 2015, the Medicare levy surcharge (additional 1%) will apply to singles earning over \$90,000 and \$180,000 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 2014/15 year are \$20,896 for individuals and \$35,261 for families. These thresholds increase by \$3,238 per dependent child/student. The low-income threshold for Senior Australian and Pension Offset (SAPTO) claimants is \$46,000.

Small business benchmarks

Small business benchmarks are a guide to help businesses compare their performance against similar businesses in an industry. The benchmarks are calculated from information reported to the ATO by businesses on their income tax returns and activity statements.

For each industry, the ATO publish key benchmark ratios and general benchmark ratios. The key benchmark ratio can be used most reliably to compare your performance against businesses in your industry because they are the best predictors of a business's turnover in relation to their cost of sales or expenses. The ATO may also use the key ratio to determine how much tax a business should have paid, when there are insufficient or no records available.

Benchmarks account for businesses with different turnover ranges (up to \$15 million) across more than 100 industries. They are published as a range to recognise the variations that occur between businesses due to factors such as location and the businesses circumstances. Benchmarks are updated annually using the latest available data.

Types of benchmarks

The two types of benchmarks that have been developed for the small business sector are:

- performance benchmarks
- input benchmarks

Performance benchmarks

Performance benchmarks provide financial ratios for your industry to help you work out:

- how you compare to other businesses in your industry
- whether you might be able to make improvements in your business.

Performance benchmarks contain several ratios to help you compare and check your own business performance.

There are two types of performance benchmark ratios:

- income tax ratios – developed from information provided by businesses on their tax returns.
- activity statement ratios – developed from information provided by businesses using complete financial year activity statement data.

Income tax ratios include:

- cost of sales to turnover
- total expenses to turnover
- rent to turnover
- labour to turnover
- motor vehicle expenses to turnover

Activity statement ratios include:

- non-capital purchases to total sales
- GST-free sales to total sales.



Input benchmarks

Input benchmarks show an expected range of income for tradespeople based on the labour and materials they use to undertake domestic projects. They are developed using information provided to us by industry participants and trade associations. Input benchmarks may help you to:

- compare your business to your industry's benchmark range
- estimate your turnover based on the labour and materials used
- check that your records accurately reflect your income.