

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 2016 for payments made in the 2015-2016 financial year.



Year-end tax planning tips

1. Defer receipts of income until after 30 June 2016
2. Accelerate deductions into the current year – this could mean 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 2016.
7. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2016 that will be consumed by your business in the new financial year (only prepay financially reliable suppliers).
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.

Each taxpayer's circumstances are different and for this reason we suggest you contact us first before making any decisions.

Super stream (for employee sup'n contributions from 1st July 2016)

If you have 19 or fewer employees, you will need to be using Super Stream by **1st July 2016**.

Super Stream saves you time and effort. Payments are electronic and you can pay all your employees' super and send their information at once.

Your options to get ready include upgrading your current payroll software, and using your super fund's online system using a clearing house.

If you need assistance in setting up Super Stream, get in touch with us.

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Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2015-16 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 \$35,454 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 \$50,454.

Concessional sup'n (tax deductible) contributions cap

Taxpayers 49 years or over on 30 June 2015 are eligible for the \$35,000 concessional sup'n contributions cap, if they make their contribution by 30 June 2016.

The contribution cap for those aged under 49 years on 30 June 2015 is \$30,000, if they make the contribution before 30 June 2016.

If you have a salary sacrifice agreement with your employer make sure that you will not go over your appropriate cap in the 2015/16 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax rate.



New lifetime cap for non-concessional (non tax deductible) super contributions.

From 3 May 2016, the government has introduced a \$500,000 lifetime non-concessional contributions cap. The cap takes into account non-concessional contributions made since 1 July 2007. If you have already exceeded the cap prior to 3 May 2016, you will be taken to have used up your lifetime cap, but will not be required to take the excess out of the superannuation system.

If you make a contribution after 3 May 2016 that causes you to exceed the cap, you will be notified by the ATO and must withdraw the excess from your fund, or be subject to a penalty tax.

THIS CHANGE IS SUBJECT TO SUCCESSFUL PASSAGE THROUGH PARLIAMENT POST THE ELECTION

Reduction in Company tax rate over 10 years

The government will reduce the company tax rate to 25% over ten years.

The measure will commence from 1 July 2016, with the government cutting the company tax rate to 27.5%. This measure is available to companies with an aggregated turnover of less than \$10 million.

Franking credits will be distributed in line with the 27.5% tax rate paid by the company.



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Small business turnover threshold

From 1 July 2016, the government will increase the Small business threshold from \$2 million to \$10million.

The increased turnover threshold will allow more business entities to access certain small business concessions, such as

- the lower company tax rate,
- the simplified depreciation rules (including the ability to claim an immediate deduction for the purchase of assets up to \$20,000),
- the simplified stocktake rules (allowing businesses to avoid doing a stock take if the value of their stock has changed by less than \$5,000), and
- the option to account for GST on a cash basis and pay GST instalments calculated by the ATO.

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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 2015 return lodged by the 30/6/2016** so that you can claim any Centrelink entitlements in time.

Personal income tax threshold reduction

From 1st July 2016, the government will increase the 32.5% income tax threshold from \$80,000 to \$87,000.

This measure will reduce the marginal rate of tax on incomes between \$80,000 and \$87,000 from 37% to 32.5%, saving up to \$315 in tax.



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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 2017.* 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

You need to advise your PHI organisation of your estimated income for 2016-17 year so that the correct rebate amount is paid by the Government over the next twelve months. 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 2016, 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.

The surcharge increases to 1.25% if your earnings are over \$105,000 for singles, and \$210,000 for families.

The surcharge increases to 1.5% if your earnings are over \$140,000 for singles, and \$280,000 for families.

These thresholds apply to taxpayers who **do not** have private health insurance that includes hospital cover.



Medicare Levy Low Income Thresholds

The Medicare Levy low-income thresholds for the 2015/16 year are \$21,335 for individuals and \$36,001 for families. These thresholds increase by \$3,306 per dependent child/student.

The low-income threshold for Senior Australian and Pension Offset (SAPTO) claimants is \$33,738.

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.

Football

Any tiger or pies supporters who want to talk about football?

Most likely they (including Gerald) are keeping pretty quiet and saying **“IT’S A LONG SEASON AND THERE IS A LONG WAY TO GO”**.

As each week goes by that excuse becomes thinner.

On a lighter note

A golf tip

A lion would never cheat on its mate – but a Tiger Wood.

Unhealthy food

A doctor was addressing a large audience in Oxford “The material we put into our stomachs should have killed most of us sitting here, years ago. Red meat is full of steroids and dye.

Soft drinks corrode your stomach lining. Chinese food is loaded with MSG. High Trans –fat diets can be disastrous and none of us realises the long-term harm caused by the germs in our drinking water.

But, there is one thing that is the most dangerous of all and most us have, or will eat it. Can anyone here tell me what food it is that causes the most grief and suffering for years after eating it?”

After several seconds of quiet, a 70-year-old man in the front row raised his hand, and softly said, **“Wedding Cake??”**

A grandpa at the IGA...

A woman at Maffra IGA is following a grandfather and his badly-behaved grandson. He has his hands full with the child screaming for sweets, biscuits, all sorts of things. The grandad is saying in a controlled voice: **“Easy, Charlie, we won’t be long...easy boy.”**

Another outburst and she hears the grandad calmly say: **“It’s ok Charlie. Just a couple more minutes and we’ll be out of here. Hang in there, boy.”**

At the checkout the little horror is throwing items out of the trolley. Grandad says again in a controlled voice: **“Charlie, Charlie,...relax buddy, don’t get upset. We’ll be home in five minutes, stay cool Charlie.”**

Very impressed, she goes outside to where the grandfather is loading his groceries and the boy into the red Hilux. She says: “It’s none of my business, but you were amazing in there. I don’t know how you did it. That whole time you kept your composure, and no matter how loud and disruptive he got, you just calmly kept saying things would be okay. Charlie is very lucky to have you as his grandad.”

“Thanks,” says the grandpa. “But I’m Charlie!!!...**The little bugger’s name is Kevin.**”

Livestock on hand record as at 30/6/2016

This year, in order to assist farmers when collecting information for their income tax returns, we have prepared a livestock account checklist, which is set out below.

The best time to fill out this form is as soon as possible after 30 June.

Please complete and return this form with your tax information. If you want to, you can email or drop this form into our office once completed.

Farmer Name:

Farmer livestock account for the year ended 30/6/2016

	Number of head
Deaths	<input type="text"/>
Killed for rations	<input type="text"/>
Natural increase	<input type="text"/>
Closing stock	<input type="text"/>

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