ADAMS ACCOUNTING
CHARTERED ACCOUNTANTS/BUSINESS ADVISORS/TAXATION SPECIALISTS

Business Newsletter **June 2018**

Taxable payments reporting – Building & Construction Industry

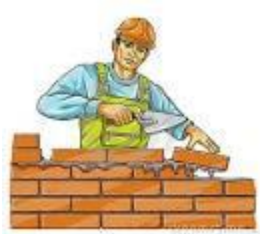
Businesses in the building and construction industry need to report the total payments they make to each contractor for building and construction services each year. The payments will be recorded on the *Taxable payments annual report.*

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 28 August 2018 for payments made in the 2017-2018 financial year.



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Year-end tax planning tips

1. Defer receipts of income until after 30 June 2018
2. Accelerate deductions into the current year – this could mean buying small plant/equipment items worth less than $20,000 per item – see below
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 2018.
7. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2018 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.

Instant asset write-off for items under $20,000 EXTENDED!

Small businesses can immediately deduct the business portion of most assets if they cost less than $20,000 (net of GST) and were purchased between 1st July 2017 and 30 June 2018.

The Government have announced that this scheme will continue until 30th June 2019!

This deduction applies to each asset that costs less than $20,000, whether new or second-hand. The deduction is claimed through the income tax return in the year the asset was purchased.

Primary producers can continue to claim an immediate write off for fencing, fodder storage and water facilities.

Concessional superannuation (tax deductable) contributions cap

From 1 July 2017, most people under age 75 can claim a tax deduction for personal superannuation contributions. The maximum tax deductible contribution for the 2017/18 year is $25,000.

Non-concessional (non-tax deductable) super contributions

Taxpayers are able to make up to $100,000 in non-concessional contribution to their superfund in 2017/18 year.

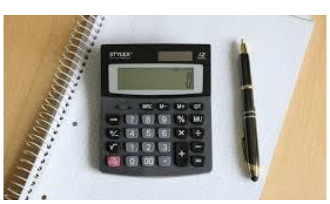
They can also access the 3 year $300,000 bring forward cap up until 30 June 2018.

Employers – reconcile your wages in your June BAS

Prior to lodging your June 30th BAS statement, it is EXTREMELY IMPORTANT that you take the time to cross check the totals of employee gross wages including any allowances and tax withheld in your wages records against the totals of the amounts you have reported for that financial year in your BAS's at W1 (Gross employee wages including allowances) and W2 (tax withheld from employee wages).

If there are any differences you need to go back and find out why **prior to sending off your June Quarter BAS and preparing your employee PAYG Summary Statement for that year.**

Why?
The ATO runs a matching process to make sure that data lodged through W1 & W2 on your BAS equals the amounts shown on your employee PAYG summaries. Any discrepancies can trigger an ATO audit enquiry and/or amendment with penalties for any underpaid amounts.



Downsizing your home? You can put the proceeds in to super from 1 July 2018.

Many Australian retirees find they want a smaller home as they get older. For some Australian, selling the family home can be a great way to release built-up equity to pay for retirement living expenses or in home support that will allow them to stay at home longer.

Older Australians are the people targeted by the Governments NEW law to allow homeowners aged 65 years or over, to downsize their family home and invest the surplus into their super account.

From 1 July 2018, Australians aged 65 years or older will be able to make a non-concessional (after tax) contribution in to their super account of up to $300,000 from the proceeds of their family home if they have owned the property for at least 10 years. The home must be your main residence and couples can contribute up to $300,000 each, bringing the total contribution up to $600,000 per couple.

Note – to utilise this contribution the law does not require you to buy another home.

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2017-18 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 $36,813 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 $51,813.

Pay your employees superannuation on time or you lose the tax deduction

Did you know?
As a business, if you do not pay your employee superannuation guarantee contributions by the quarterly cut-off date, you are now not able to claim a tax deduction for the superannuation amount!

Late payments also attract penalties and interest!

To avoid this, and in order to claim a full tax deduction for the payments, they must be paid and received by the superannuation fund by the quarterly cut-off dates below:

Quarter	Period	Payment cut-off date
1	Quarter end 30 Sept	28 October
2	Quarter end 31 Dec	28 January
3	Quarter end 31 March	28 April
4	Quarter end 30 June	28 July

2017/18 Tax Rates

The tax free threshold remains at $18,200.

18,200 – 37,000	19%
37,000 – 87,000	32.5%
87,000 – 180,000	37%
180,000 +	45%

The above rates do not include Medicare levy of 2%.

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 2017 return lodged by the 30/6/2018** so that you can claim any Centrelink entitlements in time.

Safe Tax

We are again offering our safe tax audit fee protection cover.

This small tax-deductible cost covers **<u>all</u>** 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 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 <u>date of payment</u> through to 30th June 2019*.

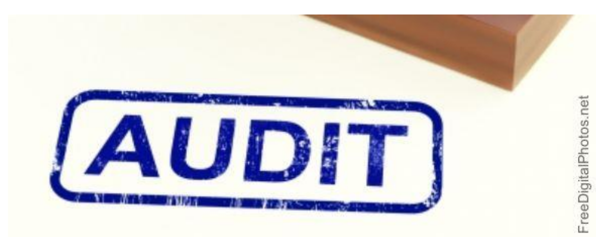
If you have taken Safe Tax cover before, we will be sending you an invoice for 2018/19 cover in June.

If you are interested in Safe Tax cover, please contact Trish at our office.

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.

These include:

- 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 5,000 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 2018-19 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 2018, 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

Do we have your mobile number?

Adams Accounting have implemented a text messaging system for reminders to collect your tax returns, BAS information and so on.

If we have your mobile number, we will be sending text messages instead of calling for reminders and collection notifications.

If you would like to opt out of our text messaging system, please let one of our administration team know.

Single Touch Payroll

Have you been reading or hearing the words Single Touch Payroll lately? Want to know what it's all about?

Single Touch Payroll is the next step in streamlining your payroll reporting. For employers with **20 or more employees it is mandatory from 1 July 2018.**

You will report payments such as salaries and wages, PAYG withholding tax and super information to the ATO when you pay your employees by processing a payroll run via payroll software which will report to the ATO.

If you are using payroll software, you should have already received notification from them of the introduction of Single Touch Payroll within the software.

If you are not using payroll software and have over 20 employees you MUST start using Single Touch Payroll enabled software from 1st July 2018.

Nothing will change with your payroll cycle or due dates for payment of super or PAYG withholding tax, all Single Touch Payroll means is that each pay run the information will be submitted to the ATO.

If you have 19 or less employees, from 1 July 2019 you are required to use Single Touch Payroll enabled software.

For more information about Single Touch Payroll, please check the ATO website www.ato.gov.au/stp

If you don't currently use payroll software and would like to know more about which payroll software is right for you, please contact us.

Division 293 threshold reduced (extra tax on superannuation contributions)

In prior years individuals with an adjusted taxable income plus concessional (employer or tax deductible) superannuation contributions of $300,000 or more trigger extra income tax to be paid on their deductible super contributions.

From 1 July 2017 the Government has lowered the Division 293 income threshold to $250,000.