ADAMS ACCOUNTING

CHARTERED ACCOUNTANTS/BUSINESS ADVISORS/TAXATION SPECIALISTS

Taxable payments reporting

Businesses in the building & construction industry as well as the cleaning**, courier & some road freight industries** need to report the total payments they make to each contractor for 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 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 2020** for payments made in the 2019-2020 financial year.

INSIDE THIS ISSUE

Year-end tax planning tips

1. Defer receipts of income until after 30 June 2020
2. Accelerate deductions into the current year – this could mean buying small plant/equipment items worth less than $150,000 per item – see page 3
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 – but you can still chase them
6. Defer sales of capital gains tax assets until after 30 June 2020.
7. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2020 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 below about concessional contribution caps.

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

Concessional superannuation (tax deductible) 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 2019/20 year is $25,000.
For people over 65 years age they need to meet a work test. Worked at least 40 hours in a 30 day period within the year.

Non-concessional (non-tax deductible) super contributions

Taxpayers under the age of 65 years can make up to $100,000 in non-concessional contribution to their superfund in 2019/20 year provided their super fund balance is not over $1,600,000. They may also be able to use the 3 year $300,000 bring forward cap. Taxpayers over 65 years of age will need to meet the work test (work or be self-employed for 40 hours in any 30-day period during the financial year) and their super balance needs to be below the $1,600,000 cap.

Carry forward concessional contributions allowed from 1 July 2019

From 2018/2019, individuals who contributed less than $25,000 in concessional contributions can accumulate the unused amounts for use in future years, meaning that this year is the first year of the increased cap.

Example: if you made concessional contributions of $10,000 in the 2018/2019 year, $15,000 of unused contributions will be brought forward to the 2019/2020 year, allowing you to contribute up to $40,000.

Note *– Individuals must have a super balance* ***less than $500,000*** *at the end of the previous financial year to be eligible. Any unused amounts will expire after 5 years.*

Private Health Insurance (PHI) rebate means tested

You need to advise your PHI organisation of your estimated income for 2020-21 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 payback the excess to the ATO once your ITR is lodged and it will show on your NOA of funds paid for underpaid premiums.

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 Australians, 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 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 be eligible, downsizer contributions must be made within 90 days of the settlement date of sale.

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.

Instant asset write-off increased to $150,000!

Small businesses can now immediately deduct the business portion of most assets purchased from 12th March 2020 up to the value $150,000 (net of GST) through until 30th June 2020.

The government have announced that this scheme will continue until 31st December 2020!

This deduction applies to each asset that costs less than $150,000, whether new or second-hand. The deduction is claimed through the income tax return in the year the asset was purchased.

Small business pool write-off for balances less than $150,000

If the balance of your small business pool of equipment/vehicle assets was less than $150,000 at the 30th June 2019, you will be able to deduct the full pool balance in this financial year, potentially saving a considerable amount of tax!

Superannuation guarantee amnesty

An amnesty exists until the 7th September 2020 which give a one of chance for employers to catch up on outstanding super contributions for their employees and avoid penalties & a loss of tax deduction. If you are in this situation you need to call us immediately.

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 2019 return lodged by the 30/6/2020** so that you can claim any Centrelink entitlements in time.

Accelerated depreciation rules for new asset purchases from 12th March 2020!

Through until **30th June 2021,** brand new asset purchases that don't qualify for the immediate write-off ($150,000) can deduct 50% of the asset's cost upon installation, with existing depreciation rates applying to the balance of the asset.

For example, the purchase of a tractor to the value of $210,000 will result in;

- a 50% deduction of $105,000, plus;
- a 15% deduction on the remaining asset value for businesses using the small business pool rules ($105,000 x 15% = $15,750)
- In total, **$120,750 depreciation**

This equals an overall deduction of 57.5% of the assets value **in the first-year asset is purchased.**

Note: *this measure only applies to* ***new depreciating assets (not second-hand)*** *first used or installed ready for use between 12 March 2020 – 30 June 2021*

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.

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 not able to claim a tax deduction for the superannuation amount!

Late payments also attract penalties and interest!

To be able 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

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2019-20 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 $38,564 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 $53,564.

<u>How much could I get?</u>

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
$38,564	1000	500
$38,564	600	300
$45,000	1000	285
$45,000	600	285

<u>IMPORTANT NOTE:</u>
If you believe you would be eligible for the Government Co-Contribution, make sure your contribution is made to your super fund by 30 June.

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 which it uses 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 2021*.

If you have taken Safe Tax cover before, we will be sending you an invoice for 2020/21 cover in June.

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

In addition to this, there are also several 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

INCOME TAX RETURN CHECKLIST
Companies, Partnerships, Trusts and Other Businesses

INCOME:

- ☐ PAYG payment summaries *(group certificates)*
- ☐ Income from foreign sources *(inc. details or foreign taxes paid)*
- ☐ Trading income
- ☐ Other income *(e.g. rent, interest)*
- ☐ Dividends & trust distributions *(inc. details of franking credits)*
- ☐ Stock on hand *(note any obsolete stock)*
- ☐ Primary producer subsidies
- ☐ Details of CGT assets *(e.g. shares & real estate)* sold, inc. dates and costs associated with acquisition and disposal

ASSETS:

- ☐ Bank statements for the financial year to June 30
- ☐ Details of depreciable assets acquired and/or disposed of during this income year *(inc. type of asset, date of acquisition, consideration received/paid)*
- ☐ Investment allowance *(date asset first used or first installed for use)*
- ☐ Debtors at June 30

LIABILITIES:

- ☐ New loans taken out during the year & their purpose *(inc. copy of new lease or mortgage agreements)*
- ☐ Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year
- ☐ Creditors at June 30
- ☐ Details of loan accounts to directors, shareholders, beneficiaries & partners

DEDUCTIONS:

- ☐ Repairs & maintenance
- ☐ Salaries, wages, including fringe benefits *(copy of PAYG annual summary sent to ATO)*
- ☐ Rates, land taxes & insurance premiums
- ☐ Advertising expenses
- ☐ Interest on borrowed monies
- ☐ Deductions relating to foreign-source income
- ☐ Retirement payments & golden handshakes
- ☐ Research & development expenditure
- ☐ Bad debts written off during the year
- ☐ Donations of $2 and over
- ☐ Commissions/Legal expenses
- ☐ Lease documents *(eg. motor vehicles, premises, equipment)*
- ☐ Superannuation contributions
- ☐ Subscriptions/memberships
- ☐ Car expenses *(maintain logbook, inc. petrol, repairs & parking)*
- ☐ Tax agent’s fees
- ☐ Rent/Royalties paid
- ☐ Details of the purpose and destination of any interstate or overseas trip *(expenses must be fully documented where travel involves one night away, inc. travel diaries where travel exceeds 5 nights)*
- ☐ Bank fees

OTHER INFORMATION:

- ☐ Rental property income & expenses
- ☐ Private health statement
- ☐ Medical expenses details