

# Maximise year end opportunities and minimise risks

Key dates	Actions
Pre 30 June 2014	<ul style="list-style-type: none"><li>Review shareholder loan accounts and make minimum loan repayments (may need to declare dividends)</li></ul>
	<ul style="list-style-type: none"><li>Pay all superannuation obligations so that you can claim a deduction for contributions in the current financial year</li></ul>
	<ul style="list-style-type: none"><li>Review our list of last minute ways to minimise your tax prior to 30 June</li></ul>
1 <sup>st</sup> July 2014	<ul style="list-style-type: none"><li>Superannuation guarantee rate increases to 9.5%</li></ul>
1 <sup>st</sup> July 2014	<ul style="list-style-type: none"><li>New tax tables to be used as a result of increased medicare levy</li></ul>
14 <sup>th</sup> July 2014	<ul style="list-style-type: none"><li>All PAYG Payment Summaries to be provided to all of your staff</li></ul>
21 <sup>st</sup> July 2014	<ul style="list-style-type: none"><li>Lodge Pay-roll tax annual reconciliation</li></ul>
21 <sup>st</sup> July 2014	<ul style="list-style-type: none"><li>Building &amp; Construction industry reports due</li></ul>
28 July 2014	<ul style="list-style-type: none"><li>Quarterly super guarantee payment due (1 April – 30 June)</li></ul>
1 <sup>st</sup> August 2014	<ul style="list-style-type: none"><li>Certify Work cover</li></ul>
14 <sup>th</sup> August 2014	<ul style="list-style-type: none"><li>Annual PAYG Payment Summary lodged with the ATO. Penalties apply for late lodgement.</li></ul>

## Your end of financial year obligations

### Financial 'house-keeping'

#### *Software*

Before rolling over your accounting software for the new financial year, make sure you:

- Prepare your financial year end accounts. This way, any problems can be rectified and you have a 'clean slate' for the 2014/2015 year. Once rolled over, the software cannot be amended.
- Do not perform a Payroll Year End function until you are sure that your payment summaries are correct and printed. Always perform a payroll back-up before you roll over the year.

#### *PAYG payment summaries*

You need to provide all of your staff with their PAYG Payment Summary on or before 14 July 2014. This includes any staff that left your employment during the 2013/2014 financial year.

If we prepare your Payment Summaries for you, please email us the data file from your accounting software immediately after 30<sup>th</sup> June 2014.

The ATO imposes penalties for the late lodgement of their PAYG Payment Summary Statements.

The annual PAYG Payment Summary Statement for the year ending 30 June 2014 needs to be lodged with the ATO on or before 14 August 2014. However, if we are preparing your Payment Summary for you and you only employ family members in your business (closely held employees) you may be eligible for an extension.

## ***Reportable Fringe Benefits on PAYG Payment Summaries***

Where you have provided fringe benefits to your employees in excess of \$2,000 then you need to report the FBT grossed-up amount on their PAYG Payment Summary. This is referred to as a 'Reportable Fringe Benefit' (RFB) amount and you will notice that a label is included on the PAYG Payment Summary for this purpose.

## **Shareholder loan accounts**

If your company has made payments on behalf of a shareholder/associate or has advanced them funds, then you need to be wary of debit loan accounts. There are special tax rules that can treat debit loan accounts as taxable dividends in the hands of the shareholder or associate. When a dividend is triggered under these rules, it needs to be declared as income on the shareholder's personal tax return and will be taxed at their marginal tax rate.

The rules surrounding shareholder loan accounts are complex and it is important to talk to us as soon as possible if you think your company has made payments or advanced funds to shareholders or related parties. The rules can also apply if the company allows shareholders to use assets for less than market value.

If you have any shareholder loan accounts from prior years which were placed under complying loan agreements, the minimum loan repayments need to be made by 30 June 2013. It may be necessary for the company to declare dividends before 30 June 2013 to make these loan repayments.

## **End of year stock take**

If your business is a trading entity that has stock on hand, you will need to carry out a stock take to record the value of stock on hand as at the 30<sup>th</sup> June 2014.

## **Beware of arrangements involving contractors - Superannuation guarantee and other tax obligations**

The use of contract labour has increased significantly over recent years. Many businesses however are failing to give adequate attention to the risk of misclassifying employees as contractors for tax purposes. What the parties decide to call the relationship is irrelevant for superannuation guarantee, payroll tax, or workers compensation - it is the characteristics of that relationship that determine liability

Where a business engages contractors and misinterprets the relationship, they can face significant liabilities and exposure to penalties and interest.

As a general rule of thumb, businesses that hire independent contractors are not responsible for PAYG withholding, superannuation guarantee, payroll tax and workers compensation obligations. However, the ATO's strict position on what is an employee for tax purposes has been upheld in a number of recent court cases to the detriment of the employer involved. Every business that employs contractors should have a process in place to ensure the correct classification of employment arrangements and review those arrangements over time.

## Building and construction industry reporting

The new reporting regime for certain businesses in the building and construction industry came into effect from 1<sup>st</sup> July 2012. The main aim of these rules is to assist the ATO tackle the 'cash economy' by requiring these businesses to lodge an annual report setting out details of payments made to contractors.

The reporting rules apply to companies that carry on a business primarily in the building and construction industry. If these rules could potentially apply to your company, then it is a good idea to start recording the following details of all payments made to contractors from 1 July 2013 to 30<sup>th</sup> June 2014 for building and construction services:

- The ABN of the contractor, if known;
- The name and address of the contractor;
- The gross amount paid for the financial year, including GST; and
- The total GST included in the gross amount paid.

If you are required to report on payments made to contractors for the 2013/14 financial year, you must ensure that you complete and submit the Taxable Payments Annual report by 21<sup>st</sup> July 2014.

**If you need assistance in completing the annual report or are unsure as to whether these obligations apply to your business, please contact our office immediately.**

## Changes that apply to the 2014/15 Financial Year

### Superannuation Guarantee Increase

Please note that the superannuation guarantee rate increases from 9.25% to 9.5% effective from the 1<sup>st</sup> July 2014.

### Increase to the Medicare levy

The medicare levy has been increased from 1.5% to 2% effective from the 1<sup>st</sup> July 2014. Therefore you need to ensure that you use the new tax tables for any payments made to employees after this date. If you are using an Accounting package to process your pay-roll you must ensure that you apply all relevant updates.

### Introduction of Temporary Levy on Higher Income Earners

The 2014-15 budget introduced a Temporary Budget Repair levy of 2% that will apply to taxable income in excess of \$180,000. This in effect increases the top marginal tax rate (excluding the Medicare levy) from 45% to 47%.

## Your end of financial year opportunities

### Immediate write offs and deductions for small business

Small Business Entities (operational businesses with an aggregated turnover below \$2 million) have access to a range of tax concessions. These concessions provide additional opportunities to maximise your tax deductions including immediate deductions for:

- Depreciable assets, including software, costing less than \$1,000.
- Prepaid expenses (such as rent, subscriptions, insurances or lease payments) where the payment is for a period of service which is 12 months or less and ends in the next income year.

**Now is the time to consider bringing forward expenditure on these items in order to reduce your tax liability for the 2014 year. Let us know if you would like to discuss how this will impact on your cash flow position.**

### Last minute ways to minimise your tax

1. **Write-off bad debts.** To be a bad debt, you need to have brought the income to account as assessable income, and given up all attempts to recover the debt. It needs to be written off your debtors' ledger by 30 June. If you don't maintain a debtors' ledger, a director's minute confirming the write-off is a good idea.
2. **Trading Stock.** Write off any stock that is damaged or obsolete. Complete a stock take (if you are not using the simplified trading stock rules) and remember that stock can be valued at the lower of cost, replacement, or net realisable value. You can use different methods for different stock items.
3. **Review your asset register and scrap any obsolete plant.** Check to see if obsolete plant and equipment is sitting on your depreciation schedule. Rather than depreciating a small amount each year, if the plant has become obsolete, scrap it and write it off before 30 June. Small Business Entities can choose to pool their assets and claim one deduction for each pool. This means you only have to do one calculation for the pool rather than for each asset. It also allows you to claim an immediate deduction for depreciating assets that are bought for less than \$1,000.
4. **Repairs, consumables (office stationery etc), trade gifts or donations.** To claim a deduction for the 2013/2014 financial year, consider paying for any required repairs, replenishing consumable supplies, trade gifts or donations before 30 June.
5. **Pay June quarter employee super contributions** if you want to claim a tax deduction in the current year. The next quarterly superannuation guarantee payment is due on 28 July 2014. However, some employers choose to make the payment early to bring forward the tax deduction instead of waiting another 12 months.
6. **Superannuation.** Don't forget yourself. Superannuation can be a great way to get tax relief and still build your wealth position. Your personal or company sponsored contributions need to be received by the fund before June 30 to ensure deductibility.
7. **Capital gains and losses.** Neutralise the tax effect of any capital gains you have made during the year by realising any capital losses that you have. These need to be genuine transactions in order

to be effective for tax purposes. It may be possible to contribute assets with unrealised losses to superannuation in order to do this.

8. **Directors' fees and bonuses.** Declare them before 30 June and providing the company is absolutely committed to them, you are entitled to the deduction even if they have not been paid. Again, a director's minute is a good idea. The directors and employees only need to declare this income in the year of receipt although they need to be formally notified of their entitlements by 30 June.
9. **Management fees.** Where management fees are being charged between related entities, make sure that the charges have been raised by June 30. Where management charges are used, make sure they are commercially reasonable and there is documentation to support this position. If any transactions are being undertaken with international related parties then the transfer pricing rules need to be considered and the ATO's expectations in relation to documentation will be much greater. This is an area that the ATO are placing under greater scrutiny.

## Minimising the cost of end of year compliance

Having your paperwork organised always makes life much easier. Preparing your end of year documents and information prior to coming to see us will save you time and money. This is a general list of what to have ready when we next meet with you.

- Accounts data file (MYOB, Quickbooks)
- Debtors & creditors reconciliation
- Stock take if applicable (or if your business is an SBE, use the simplified trading stock rules mentioned above)
- June 30 bank statements on all relevant loan documents
- Documents on new assets bought or sold, including the date you entered the contract and the date the asset was first used or installed ready for use
- Payroll reconciliation
- Superannuation reconciliation
- Bank statements on operating accounts
- Cash book (if applicable)
- June 30 statements on any investment or operating accounts

And, if we are preparing your individual income tax return:

- PAYG Payment Summary
- Tax statements of managed investment funds
- Interest income from banks and building societies
- Dividend statements for dividends received
- For share sales or purchases, the purchase and sale contract notes
- For real estate sales or purchases, the solicitor's correspondence for the purchase and sale
- Rental property statements from real estate agent and details of other expenditure incurred
- Work related expenses
- Travel expenses
- Donations to charities
- Health insurance and rebate entitlement

- Family Tax Benefits received
- Medical Expenses (if over \$2,000 after rebates)
- IAS statements or details of PAYG Instalments

We want to help you achieve the best result for your business and yourself. So, if there is any additional information we can provide, or if we can review your individual situation, please contact us today.