2018 JUNE

Quarterly Newsletter

Green Taylor Partners

Horsham Golf Course

This edition

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2018-19 Federal Budget - The Winners & Losers

Natasha Gardner

Winners

Individuals

From 1 July 2018, the top threshold of the 32.5 per cent tax bracket will rise from $87,000 to $90,000.

A new, non-refundable tax offset, in addition to the Low Income Tax Offset (LITO), will provide tax relief of up to $530 to low and middle-income earners from 2018/19. The offset will be received as a lump sum on assessment after individuals lodge their tax returns.

Individuals will also benefit from deferral of plans to increase the Medicare levy, currently 2 per cent of taxable income, by 0.5 per cent, as proposed in the 2017 budget but not legislated.

Small Business

The $20,000 instant asset write-off has been extended by a further 12 months to 30 June 2019, allowing businesses with turnover of up to $10 million a year to claim an immediate deduction for a purchase of below $20,000.

The $20,000 threshold was due to revert to $1,000 from 1 July 2018.

All Employers

From 1 July 2019, businesses will no longer be able to claim deductions for payments made to:

- Employees where the required PAYG withholding has not been made; and
- Contractors who do not provide an ABN and where the required PAYG withholding has not been made.

A raft of measures directed at older Australians will provide wage subsidies of up to $10,000 for employers who take them on.

Older Australians

The government is launching a scheme to help older Australians and the wave of baby boomers moving into retirement to draw on equity in their home in order to fund their retirement.

The Federal Pension Loan Scheme makes non-taxable loans, paid fortnightly up to the amount of the age pension. It will be extended to full rate pensioners and self-funded retirees, so they can boost their retirement income by up to $17,800 for a couple, without impacting on their eligibility for the pension or other benefits.

The PLS interest rate is 5.25% p.a. The income is received as fortnightly payments, and the loan debt accumulates, and is generally repaid when the house is sold, but can be repaid earlier. PLS income payments are not counted for the Age Pension income test.

Superannuation Fund Members

From 1 July 2019, the following superannuation measures will be introduced:

1. A SMSF will be able to increase the maximum number of allowable members from four to six. This is intended to provide greater flexibility for joint management of retirement savings.
2. Insurance within superannuation will move from a default framework to an opt-in system. The proposed measures will prevent trustees from providing default (opt-out) insurance to:
   - All accounts with low balances of less than $6,000;
   - New accounts held by a member who is under the age of 25 years; and
   - All accounts that have not received a contribution in 13 months and are inactive.

   The aim of this change is to offer insurance on an opt-in basis for under-25s, and to reduce the incidence of the duplication of insurance where an individual has multiple super accounts.
3. Protecting superannuation savings from fee erosion by the introduction of a 3% annual cap on administration and investment fees charged by superannuation funds on accounts with balances below $6,000; and ban funds from charging exit fees on all super accounts.
4. An exemption from the work test for voluntary contributions to superannuation for people aged 65-74 with superannuation balances below $300,000, in the first year that they do not meet the work test requirements.
5. The government also announced a three-year audit cycle for SMSFs with a history of good record keeping and compliance.

Losers

The Black Economy

The Taxable Payments Reporting System (TPRS) will be extended to include the following industries from 1 July 2019:

- Security providers and investigation services;
- Road freight transport; and
- Computer system design and related services.

There will be an economy wide $10,000 limit on cash payments made to businesses for goods and services from 1 July 2019.

Vacant Land Owners

From 1 July 2019, deductions for expenses associated with holding vacant land for residential or commercial purposes will be denied. Deductions denied will not be able to be carried forward for use in later income years.

Personal Superannuation Contributions – 10% rule removed

Kerry Schultz

With the end of the financial year fast approaching, it is time to start thinking about income tax deductions.

Under previous Government changes to super, effective 1 July 2017, the 10% maximum earnings condition for personal superannuation contributions was removed for the 2017-18 and future financial years.

This change ensures that individuals receiving employment income are not dependant on whether their employers offer salary sacrifice arrangements. Self-employed individuals and individuals in receipt of passive income can make deductible personal contributions regardless of the amount of salary or wages they earn.

This means most individuals under 65 years old can now claim a tax deduction for personal contributions to their Superannuation Fund. For those aged 65 to 74 you must meet the work test.

The annual limit of concessional contributions is $25,000. This amount includes employer contributions, salary sacrificed superannuation contributions and personal contributions which are being claimed as a tax deduction.

To be eligible for the deduction, you need to provide a valid notice of intention to deduct and have received acknowledgement of this notice from the fund before lodgement of your personal tax return.

Important Dates

June

- 21st - Lodge & pay May 2018 Activity Statement

July

- 16th - Issue PAYG Withholding Payment Summaries
- 21st - Lodge & pay June 2018 Activity Statement
- 30th - June Quarterly BAS due
- 30th - June Quarter PAYG instalments due

August

- 21st - Lodge & pay July Activity Statement
- 28th - Taxable Payment Annual Report Due

Single Touch Payroll

Karen Grainger

Single Touch Payroll commences from 1 July 2018 and will require “substantial employers” with more than 20 employees to report salaries and wages, PAYG withholding and superannuation information electronically directly to the ATO from their payroll software.

For employers with fewer than 20 employees, Single Touch Payroll commences from 1 July 2019.

The first step is to determine if you are a “substantial employer” by counting your employees on 1 April 2018. Therefore you should already now if you have more than 20 employees.

The next step is to address your current payroll software and determine if it is sufficient to comply with the Single Touch Payroll rules.

If you use MYOB Accountright, a number of updates have been released to provide the required steps to be able to provide information under Single Touch Payroll.

If you use Xero, you may have seen information from Xero advising they have been working behind the scenes to ensure Xero can provide information under Single Touch Payroll.

If you use another software provider, you may have also seen information regarding how they are working towards allowing the software to provide information under Single Touch Payroll.

You should also ensure you are in the latest version of your software. This is particularly important if you are required to load these updates.

The next step is to ensure the information in your software for your business and staff is up to date. This includes ensuring your ABN and business address is correct. Also ensuring your employees’ dates of birth, tax file numbers and addresses are up to date.

For users of MYOB Accountright, your payroll categories will need to have an ATO reporting category allocated, similar to allocating the pay fields when completing the Payment Summaries.

The last step before processing your 1st pay run after 1 July 2018 is to “Connect to the ATO”. Software providers are indicating they are still working on this part of the software and updates are still to come.

If you have already not addressed Single Touch Payroll for your business please contact your trusted advisor here at Green Taylor Partners.

Dual Cab Utes – the ATO is on the lookout

Peter Cramer

Dual cab utes have become very popular over recent years – and sales are booming. One reason is that due to the general improvement of dual-cab utes, including the size and comfort of the vehicles, many business owners are purchasing these vehicles for use as a family vehicle to go to the beach, tow caravans and other private purposes as a way to "avoid" fringe benefits tax. (Fringe Benefits Tax rules apply to vehicles owned and operated through Companies or Trusts, or through Partnerships where the vehicle is made available to employees or associates of employees).

There are Fringe Benefits Tax exemptions available for vehicles not principally designed to carry passengers. There are specific formulas to determine whether vehicles are classified as exempt vehicles, however they generally include utes and vans. Included in this exemption are some dual-cab utes. The ATO's guidelines allow "minor, infrequent and irregular" private use. This includes travelling to and from work. It does not however extend to trips to the beach, the supermarket, on holidays, amongst other things. With many dual-cab utes costing more than $50,000 this could end up being a nasty surprise if you don't hold a log book and are found to have breached the exempt vehicle guidelines. As an example, a $50,000 vehicle used for private use without a log book may incur an annual FBT liability in the vicinity of $10,000.

The ATO is tightening up the rules to catch situations where the Dual Cab ute is used more as a family vehicle rather than 100% for work.

The ATO is considering new rules that will allow up to 750 kms of private travel in company cars each year as long as no single return journey exceeds 200kms. Employees can make small diversions between home and work, as long as the detour adds less than two kms to their total trip.

Once the rules are breached, one cannot argue the ute is all business – and a log book should be used to prove the actual business use. So, if the ute spends time at the footy every Saturday and is seen towing the van to the holiday destination, you may have a problem!

To be safe, we would recommend that where a dual cab ute is owned but is not solely used for business (eg drops the kids at School regularly, goes on holiday with you and goes to footy) that you prepare a 12 week Log Book to prove the business use. This should be a very high business use percentage we would expect – and it will provide protection in the event of the ATO arguing it is not all business. Without a Log Book – you cannot 'say' it is 'mainly business' or 'would be at least 95%' – if you fail the 100% test you will be left with very little to claim!

(All it would take would be for the ATO to drive around the car parks of footy, holiday parks and so on and cross check the number plates back to registered owners and then tax returns…. Alternatively they will ask you in an audit situation as to the actual use of the vehicle.)

Better to be safe than sorry!

Do you own your trading name?

Sally Hateley

Back in May 2012 ASIC took over the role of registering business names in place of the previous state and territory registrations. This was to make the registration and purchase of business names a national system.

As ASIC has now been running this system for over five years all trading names that are being currently used are now expected to have been registered with ASIC. Therefore the ATO and the ABN lookup site will be removing all trading names not registered and linked to your ABN. This will take place in November 2018.

Business names that are registered will remain on the site.

If you are unsure whether your business name has been registered with ASIC you can go to the ABN lookup site at https://abr.business.gov.au/ and type in your ABN. If the name appears in the business name section it is registered with ASIC. If it only appears in the trading name section it has not been registered with ASIC.

If you need assistance with this feel free to contact any of the team at Green Taylor Partners and they will be able to check for you.

GST Withholding for property developers

David Hadley

The Government is introducing new GST withholding legislation for the supply of new residential premises, new residential subdivisions and long term leases (that are 50 years or more). This will impact anyone buying a new house after 1 July 2018.

The GST withholding obligations will apply to the supply of all new residential premises (never been lived in) and new residential subdivisions (vacant land) and if a purchaser is not registered for GST it must remit prior to or retain at settlement GST on behalf of the vendor.

The amount of GST to be withheld is dependent on whether the sale is a plus GST transaction or a sale under the margin scheme. If the property is sold plus GST then the purchaser must remit 1/11th of the contract price to the ATO. If the property is sold applying the margin scheme, the purchaser must remit 7% of the contract price to the ATO.

If the purchaser of the supply is registered for GST the new legislation will not apply.

The vendor must provide notice to the purchaser whether or not the withholding obligations will apply, setting out details of the entity making the supply, when the purchaser is required to pay the Commissioner and the amount to be remitted.

A vendor, at the time of lodging its BAS statement, must provide the Commissioner with a report setting out the sale of the property and the amount of GST payable on the sale. A vendor may be entitled to a tax credit from the Commissioner for the GST already held and remitted by the purchaser.

The purchaser, being the recipient of the supply, must remit the GST to the Commissioner either prior to or at settlement. Payment of the GST by the purchaser will be dependent on the type of settlement occurring. If the settlement is to occur on PEXA (Property Exchange Australia), the GST will be paid directly to the ATO. If the supply does not settle via PEXA, then a purchaser may remit the GST via bank cheque to the ATO prior to or at settlement.

If the vendor fails to provide notice to the purchaser, the purchaser and/or its conveyancer may remit GST to the Commissioner without incurring any penalty.

If however the contract of sale was entered into ***before*** 1 July 2018 with the consideration for the supply being paid by the purchaser ***before*** 1 July 2020, the withholding obligations ***will not*** apply.

If the contract of sale was entered into ***before*** 1 July 2018 with the consideration for the supply being provided by the purchaser ***after*** 1 July 2020, the withholding obligation ***will*** apply.

It is fully expected that there will be changes to the pro forma land sale contracts that will incorporate these requirements.

ATO Audit Alert

Tracy Richardson

Has a new car / boat / van caught your eye recently? If yes, be aware that if you make the purchase & it is >$10k Big Brother ATO will know about it via a new data matching process with the stamp duties office.

If it is a large purchase not commensurate with your earnings you may be asked to explain.

If you have not disclosed the sale in your business books you may also be asked to explain.

So lessons are:

- ensure you disclose your purchases / sales correctly if transaction >$10k – might be a little harder to argue that the $25k boat was a 100% business vehicle
- don't forget to keep GTP in the loop also so we can assist you in getting the best tax result for your purchase / sale.

Do you have a MyGov Account?

Jodie Mills

If you have a myGov account:

Your myGov account gives you: secure access to a range of government services using one username and password, a single inbox for your messages from Centrelink, Medicare, Child Support and the Australian Taxation Office.

If you have linked your Tax Office services via myGov, all notifications and correspondence from the Tax Office including tax assessments, PAYG details, overdue notices will be sent directly to your myGov account. You will receive an email of these notifications from MyGov.

Please ensure you check all inboxes (including junk) on a regular basis to attend to any ATO payments and correspondence issued by due dates.

As your Tax Agent we no longer receive any ATO correspondence via our office if you have a myGov account.

If you have any queries please contact our office.

GTP Blog

Don't forget our informative Blog articles that are written by the Partners at GTP and released each week on our website and via social media.

These articles are a great way to keep up to date with recent Government updates, ATO announcements and the like.

To view our blog visit
https://greentaylor.com.au/blog

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GTP Tid Bits

- Kathryn Bowles and Greg Hamilton have welcomed their second child, another gorgeous girl Charlotte Jane Hamilton. Congratulations to Kathryn, Greg and Isabella!!

Taxable Payments Reporting Systems

David Hadley

Currently, if you are in the building and construction industry, you are required to complete an annual report to the ATO informing them of payments made to contractors for their services. The contractors can include subcontractors, consultants and independent consultants. They can be operating as sole traders, partnerships, trusts or companies.

The details you need to report include:

- the contractors name and address;
- ABN; and
- Gross amount paid for the financial year including GST.

From 1 July 2018 an extension of those who report under the Taxable Payments Reporting System (TPRS) will be introduced to include courier and cleaning businesses. They will be required to report to the ATO by the 28 August each year.

A further extension from 1 July 2019 to the TPRS will include:

- security providers and investigation services;
- road freight transport; and
- computer system design and related services.

Business in these industries will be required to collect information from 1 July 2019, with the first annual report required by 28 August 2020.

GTP Anniversaries

- 6th June - Kayla Hawker (7 years)
- 30th June - Rohan Brown (21 years)
- 1st July - Matt Richardson (22 years)
- 16th July - Ross Laycock (11 years)
- 29th July - Sally Hateley (16 years)
- 9th June - Tracy Richardson (19 years)

Why care about your workplace culture?

Daniel Blay

Your business's culture defines for you and for all others, how your organisation does business, how your organisation interacts with one another and how the team interacts with the outside world, specifically your customers, employees, partners, suppliers, media and all other stakeholders.

Your culture is the formula, "the DNA" that provides guidelines, boundaries and expectations for your team and your customers, and is the primary platform to inspiring and motivating your people, and is the most powerful resource you have to attract, recruit, hire and retain the highest level of talent to your business. The best people always want to work with the best companies, and the best people are the catalyst for creating ongoing business success.

Talented humans want to do business with the best organisations, because it aligns with their own values and expectations. These talented people, partners and clients see your culture as a strong differentiator, of how you do business, rather than solely on your products or services alone.

Businesses with strong cultures tend to be higher performers.

Typically, workplaces with a strong culture tend to produce superior results as compared to those with weaker cultures. When a culture is strong, it leads to motivated employees and high performing managers.

Strong culture leads to ongoing involvement and participation by a business's employees, and can predict current and future financial performance. A recent study shows that culture can be an integral part of the ongoing change process (most organisations are in a constant state of change due to competitive market and other pressures), and that certain cultural traits may be utilised as predictors of an organisation's performance and effectiveness.

Benefits of a strong culture

In addition to financial advantage, there are many benefits to having a positive culture within your organisation. These include:

- Good (transparent) open communication that helps departments and employees work and collaborate better together towards the achievement of the organisations goals.
- A shared vision and clear mission across the entire organisation, leading to employees working towards common goals.
- A strong corporate culture of respect among employees, creating enhanced mutual trust and cooperation across the business.
- Less internal politics, a flatter and more efficient decision-making processes, and fewer disagreements as common vision is aligned across leaders.
- Less complexity leading to faster execution within an informal control mechanism, leading to the easier achievement of business goals.
- A strong sense of identification across the organisation with shared understanding.
- Clarity in assisting employees to make sense of their behaviours by providing justification for behaviours.
- A reduced employee turnover rate with resultant definitive financial and operational advantages

GTP Birthdays

- 16th June - Sally Hateley
- 5th July - Kathryn Bowles
- 13th July - Shane Bryan
- 3rd August - Peter Cramer
- 10th August - Rohan Brown

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