

JUNE 2018

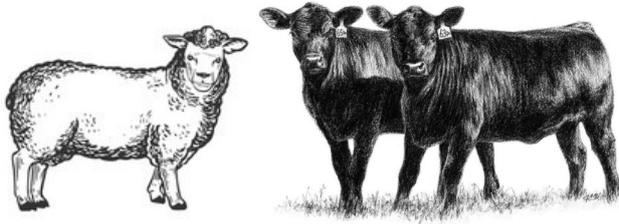
NEWSLETTER

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END OF FINANCIAL YEAR A Good Time To Take Stock!

\$20,000
ASSET IMMEDIATE
DEDUCTION
EXTENDED
AGAIN FOR SMALL
BUSINESSES
UNTIL
30/6/2019



Creditors and Debtors

Please remember to provide us with a list of your creditors and debtors as at 30 June.

It is important to recognise and record the debts you owe (creditors) and the debts owed to you (debtors) at the end of financial year. Any bad debts should be written off.

◆ **Ensure that your bank account is reconciled at 30 June 2018.**

We have included a tax checklist with this newsletter that should help you with preparing the relevant documents and information we need for the end of the financial year.

DID YOU KNOW?

The Australian Taxation Office (ATO) **never** asks for your confidential details by email.

Please refer to our article about scams inside this newsletter .

Please remember to provide us with a summary of your livestock and/or trading stock details at 30 June.

2018 SUPER CONTRIBUTION CAPS

Concessional (i.e. tax deductible) if under 65 years old	\$25,000
Concessional (i.e. tax deductible) if aged 65 years or older *	\$25,000
Non-Concessional (i.e. not tax deductible) #	\$100,000

* Subject to the work test.

Subject to the \$1.6m transfer balance cap

NOTICE OF INTENT

If you are eligible to claim a tax deduction for personal superannuation contributions, you must notify your super fund of the amount you intend to claim.

A written notice must be received from the fund acknowledging that you have made a valid notice of intent and agreement of the amount you intend to claim as a deduction.

Beware of scams and fake news!

The increased use of technology by official and legitimate agencies and companies has led to a corresponding increase in the number of scammers pretending to represent legitimate agencies and organisations. Victims of this type of fraudulent activity may lose large sums of their money. Each month, thousands of dollars are lost by individuals who fall prey to various scams.

Phishing scams

Among the most common type of scams is the phishing scam, which works upon the deception of individuals under the false pretense of a legitimate business such as a bank or phone company. The scammers will often use the masthead of a company (eg. Telstra) within the message and a website/email that is very similar to a legitimate one and may look so at first glance, such as <customersupport@telsrta.com> The message within the scam will often contain a request for information such as verification of bank account details, for example, by stating that a refund is owing for overpayment. Unsuspecting recipients will then be directed to a fake website where they will unknowingly provide the information needed by the scammers to steal their money. Although emails account for a quarter of phishing scams, almost half are done by phone so you need to be vigilant with all modes of communication.



Handy Hints

The ACCC website scamwatch.gov.au offers a number of useful hints for avoiding scams. These include:

- Do not click on any links or open attachments from emails claiming to be from your bank or another trusted organisation that asks you to update or verify your details.
- Look for the secure symbol in the url. Secure websites are identified by the use of 'https:' rather than 'http:' or a closed padlock or unbroken key icon at the bottom right corner of your browser window. Legitimate websites that ask you to enter confidential information are generally encrypted to protect your details.
- Do an internet search using the names or exact wording of the email or message to check for any references to a scam, as many scams can be identified this way.
- Do not give your tax file number, ABN or any other sensitive information online or over the phone unless you are using the Australian Tax Office portal or calling the ATO directly.
- Remember to always exercise caution when reading emails and receiving phone calls and "if in doubt, don't!"

Home office expenses

If you work from home as part of your employment, you may be able to claim items such as phone expenses, running costs for your home, and equipment. Just bear in mind that expenses need to be in proportion to your use of the home for work purposes. It is also important to be mindful that if your home is a place of business and you are entitled to claim a deduction for interest expenses or rent, then this will generally impact on your ability to claim the full main residence exemption from Capital Gains Tax when you sell the home.



"My boss says I can start working from home two days a week...Saturday and Sunday."

End of the road for travel claims

From 1 July 2017, travel expenses relating to inspecting, maintaining, or collecting rent for a residential rental property can no longer be claimed as deductions.

Trading name registration

The ATO has issued a reminder in relation to the retirement of trading names as the ATO and Australian Business Register (ABR) will no longer be maintaining details of these names.

From November 2018 all trading names will be removed from ABN Lookup and only business names registered with ASIC after 31 October will be displayed on ABN Lookup.

You do not need to register a trading name if it is the same as your own name. For example, Joe Bloggs does not need to register a name to trade as Joe Bloggs or J Bloggs but he does need to register a name if he wishes to trade as Joe Bloggs Plumbing.

Business names in Australia are regulated by the Australian Securities and Investments Commission (ASIC) and can be renewed for a one or three year period upon receipt of a renewal notice.

Superannuation: 12-month ATO amnesty and new penalty regime for employers who fail to pay the super guarantee

The superannuation guarantee is the minimum payment an employer must make for each eligible employee. The current super guarantee (SG) is 9.5% of an employee's ordinary time earnings (OTE) and is paid quarterly into the employee's complying super fund or retirement savings account. Generally speaking, most workers will be deemed eligible employees for the superannuation guarantee if they have been hired and have received payments of more than \$450 (before tax) for their labour in any calendar month in the relevant quarter based upon hourly/daily rates or a price per item/activity. If you have 19 or fewer employees, or a turnover of less than \$2m a year, you can use the ATO's free Small Business Superannuation Clearing House (SBSCCH) to meet your employer superannuation obligations. To access the SBSCCH, an Auskey is required, which can be downloaded at the website: <https://abr.gov.au/AUSkey/Registering-for-AUSkey/Register-for-an-AUSkey/> Click on the yellow tab named "Register for an AUSkey" at the bottom of the website and follow the steps. If you have any issues installing the AUSkey software, please give the ATO a call directly on 1300 287 539. When you have an AUSkey, the next step is to access the ATO Business Portal at the website: <https://bp.ato.gov.au> When you have successfully logged in to the portal, you will see a menu bar on the left-hand side of the page. Click on "Manage Employees" and then click on the link to the Small Business Superannuation Clearing House. If you have any difficulties using this site for making SG payments and would like further assistance, please do not hesitate to give our office a call.

The Superannuation Guarantee Charge (SGC)

Employers are obligated to pay the super guarantee quarterly, usually no later than 28 days after the relevant quarter. For example, the due date for SG payments for the April-June quarter is 28 July. A failure to make this payment by the due date will render an employer liable for the superannuation guarantee charge (SGC) and they will need to lodge a Superannuation Guarantee Statement. Employers who are made to pay the SGC may also be liable to pay interest charges and an administration fee and they will be unable to claim either the SGC or these other penalty charges as deductions.

Penalties for non-compliance and ATO amnesty

The new penalties for employers who fail to meet their superannuation guarantee obligations are strong. For example, the ATO may recover amounts from company directors personally and make use of garnishee orders. From 1 May 2018, the ATO has introduced a 12-month amnesty to enable employers to reduce any SG gap they have without incurring punitive penalties.

Practical Example

Jack is 46 years old and he is employed at Spring time each year to work on Terry's farm at an hourly rate. In October, Terry hires Jack to work for him over the course of a week and pays him \$1,000 (before tax). Based on the information given, it is likely that Terry will be deemed liable to pay the employer super guarantee for Jack. The total liability will be \$95 (9.5% of \$1,000) and payment will be due by 28 January of the following year. If he makes the payment by the due date, Terry will not be subject to any penalty.

Possible loss of wages deductions if behind in obligations

In the recent May 2018 budget the Government has proposed that from 1 July 2019 as part of the crackdown on employers tax obligations, if an employer falls behind paying or lodging their PAYG withholding requirements then they may not be able to claim a tax deduction for the payments to employees (such as wages).

Test your Knowledge: Quick Quiz

1) Which of the following business structures cannot claim the general 50% discount for a capital gain?

- A. Partnership
- B. Sole Trader
- C. Company

2) What percentage of taxable income is the Medicare Levy?

- A. 1%
- B. 2%
- C. 3%

3) What is the annual wages threshold for employers to take out a workers compensation policy?

- A. \$2,500

B. \$5,000

C. \$7,500

4) What is the rate and duration for capital works (Division 43) deductions for structural improvements after 26 February 1992?

- A. 2.5% over 40 years
- B. 4% over 25 years
- C. 5% over 20 years

5) What is the ATO's value of natural increase for a lamb?

- A. \$4
- B. \$24
- C. \$40

Answers on back page



**ACCOUNTANTS
ADVISERS**



building futures

SMALL BUSINESS Single Touch Payroll

Employers with 20 or more employees at 1 April 2018 must use standard business reporting-enabled software from 1 July 2018 to report payments such as salaries and wages, PAYG withheld and superannuation. Single touch payroll is expected to be made compulsory for businesses with 19 or fewer employees from **1 July 2019**.



REMINDER: Trust Resolutions

Trustees (or directors of a trustee company) need to decide on the distributions they plan to make by 30 June 2018 at the latest. It is also important to check your trust deed. Most trust deeds require resolutions to distribute trust income to be made by 30 June each year. Decisions made by the trustees should be **documented in writing** by **30 June 2018**.

Answers to Quick Quiz:
1) C 2) B 3) C 4) A 5) A

Income tax rates for 2017/18 financial year

The tax rates that apply to individuals who are Australian residents for tax purposes are detailed below:

Taxable income	Marginal tax rate #	Tax Payable #
0 – \$18,200	0%	Nil
\$18,201 – \$37,000	19%	19c for each \$1 over \$18,200
\$37,001 – \$87,000	32.5%	\$3,572 plus 32.5c for each \$1 over \$37,000
\$87,001 – \$180,000	37%	\$19,822 plus 37c for each \$1 over \$87,000
\$180,001 and over	45%	\$54,232 plus 45c for each \$1 over \$180,000

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

Small business company tax rates

The tax rate for companies carrying on a business with turnover under \$25m is 27.5% for the 2017-18 income year.

Tax deductions for car expenses

There are only two methods available to claim car expenses:

1. Cents per kilometre method up to a maximum 5,000 kilometres.
2. Logbook method/Actual cost. A logbook needs be prepared for 12 continuous weeks and represent your travel through the year as per the sample below. Each logbook you keep is normally valid for five years.



VEHICLE LOG BOOK

Car No.

DATE OF JOURNEY		PURPOSE OF JOURNEY	ODOMETER		KILOMETRES TRAVELLED	
START DATE	END DATE		START	END	BUSINESS	PRIVATE

SMSF audits: what, who, why and when?

The role of an accountant involves preparing financial reports for an entity and the role of an auditor involves giving an opinion on those reports such as whether or not they present fairly the financial position of the entity. An audit can only be completed by a registered auditor, who is also a Chartered Accountant or Certified Practising Accountant. The work of auditors is conducted in accordance with Australian Auditing Standards.

Under current Australian law, all self-managed superannuation funds (SMSF) are required to be audited annually. An audit is required even if no contributions or payments are made in the financial year. The audit must be completed prior to the lodgement of financial reports with the ATO.

One area that the ATO has concerns about is situations where auditors also have a role or responsibility for preparing the financial statements of the SMSF. This is particularly an issue for sole practitioner firms with a few staff, where the sole practitioner signs off on the financial statements prepared by the staff and is also the auditor of those statements, creating independence and self-review issues.

The ATO also has independence concerns where auditors are completing the audit of their relatives' SMSF. Follow-up action by the ATO has been taken in a number of these cases.

Issues have also arisen regarding the use of low cost audit providers. The ATO has found that the work completed by some of these practitioners can be insufficient, with gaps in audit evidence obtained, contraventions being identified and not reported, and a lack of adequate documentation. Clients may be at risk of sanctions if their super fund is not audited properly.

At BWR Accountants & Advisers, all SMSF audits for our clients are completed by a third party professional auditor to ensure full compliance and to maintain the integrity and independence of the audit process.