



BWR Accountants & Advisers

June 2015

NEWSLETTER



accounting
advice for
START-UPS
can be
**IMMEDIATELY
WRITTEN OFF**

employers
with **20**
employees or
more **MUST**
USE
SUPERSTREAM

What will change on 1 July 2015

For Business

- Small business tax cut - 1.5% for companies and 5% tax discount for unincorporated small businesses with turnover under \$2m (capped at \$1,000)*
- Employee share scheme rule changes to make the schemes more attractive particularly to start-ups*
- 'Fly in fly out' and 'drive in drive out' workers will be excluded from the Zone Tax Offset (ZTO) where their normal residence is not within a specified zone*
- Start-ups able to immediately deduct a range of professional expenses required to start up a business – such as professional, legal and accounting advice.*
- The way work related deductions for car expenses are calculated will change, for all motor vehicles. The '12% of original value method' and the 'one third of actual expenses method' will be removed. The 'cents per kilometre method' will be modernised, replacing the three current engine size rates with one rate set at 66 cents per kilometre to apply for all cars.

Superannuation

- The terminally ill will be able to access super earlier*
- Employers with 20 employees or more must use SuperStream for employee contributions.

Individuals

- Changes to family tax benefits – income test changes, add on child payment removed, and changes to large family supplement.

* announced change not yet law.

What is SuperStream?

SuperStream is a government reform aimed at improving the efficiency of the superannuation system, through mandatory electronic reporting & electronic payment of contribution advice from employers to the employee's superannuation fund.

Employers have options for meeting SuperStream obligations by either using a payroll system that conforms to SuperStream or by using a payroll provider who can meet the reporting obligation requirements on your behalf.

For our SMSF clients who receive employer contributions the electronic service address we use is AUSPOSTSMSF. Employers should be provided with the fund's name, ABN, bank details & electronic service address.

Why using the 20k budget tax deduction might be the wrong decision

So, your business has a turnover under \$2 million and you want to know how to use the \$20,000 immediate tax deduction that's been all over the news?

What has changed?

In general, a deduction is available for purchases your business makes. What has changed for small businesses under \$2m turnover is the speed at which they can claim a deduction. Before the Budget announcement, small business could immediately deduct business assets costing less than \$1,000. On Budget night, the Treasurer announced that the threshold for the immediate deduction will increase to \$20,000 at 7.30pm, 12 May 2015 for small businesses with an aggregated turnover less than \$2 million. The increased threshold is intended to apply until 30 June 2017.

For small business, assets costing \$20,000 or more can be allocated to a pool and depreciated at a rate of 15% in the first year and 30% for each year thereafter.

Before you start spending, there are a few things you need to know.

Does your business make a profit?

Deductions are only useful to offset against tax. If your business makes a loss or you are under the tax free threshold then a tax deduction is of limited benefit because you're not paying any tax. Losses can often be carried forward into future years but you lose the benefit of the immediate deduction.

Immediate deduction is not yet law

The \$20,000 instant asset write-off is not yet law. The ATO only has the capacity to assess on current law not announcements. Don't forget that many of last year's Budget measures have not been enacted. While we think it is highly unlikely that the other political Parties will block this measure, there is always a small risk that things will change. So don't spend more than your business can afford.

Cashflow first!

Cashflow is more important than an immediate deduction. Assuming your business qualifies for the deduction, one of the most important consideration is your cashflow. If there are purchases and equipment that your business needs, that equipment has an immediate benefit to the business, and your cashflow supports the purchase, then go ahead and spend the money. The \$20,000 immediate deduction applies as many times as you like so you can use it for multiple individual purchases.

Remember, your business still needs to fund the purchase for a period of time until you can claim the tax deduction.

Let's take the example of a small bakery. The bakery is in a company structure and has a taxable income for 2014/2015 of \$49,545. The owner purchases a new \$13,750 oven on 2 June 2015 and installs it straight away. The cost of the oven is claimed in the bakery's 2014/2015 tax return resulting in a tax deduction of \$13,750.

So, for the \$13,750 spent on the oven, \$4,125 is returned as a reduction of the company's tax liability (i.e., 30% company tax rate in the 2015 income year). For the bakery, they need the cashflow to support the \$13,750 purchase until the businesses tax return is lodged after the end of the financial year. With the \$4,125 reduction of the company's tax liability, the business has fully funded the remaining \$9,625.

From 1 July 2015, the bakery would also receive the small business company tax cut of 1.5%. If the business also had taxable income of \$49,545 in the 2016 income year, the reduction in the tax rate would provide a tax saving of \$743.

It's important not to rely on the advice of the person you are purchasing from. There is a lot of misinformation out there in the market right now and it's important to know how the concessions apply to you. The trouble is as there is no legislation yet we don't know what the fine print will say.

Why using the 20k budget tax deduction might be the wrong decision... continued

Is your business eligible

To use the instant asset write-off, your business needs to be eligible. The first test is that you have to be a business – not just holding assets for investment purposes.

The second is the aggregated turnover of your business needs to be below \$2m. Aggregated turnover is the annual turnover of the business plus the annual turnover of any “affiliates” or “connected entities”. The aggregation rules are there to prevent businesses splitting their activities to access the concessions. Another entity is connected with you if:

- You control or are controlled by that entity; or
- Both you and that entity are controlled by the same third entity.

If your business is registered for GST, the cost of the asset needs to be under \$22,000 inclusive of GST. If your business is not registered for GST, it will be under \$20,000 inclusive.

How do I make the most of the immediate deduction?

There are a few tricks to applying the instant asset-write off:

Second hand goods are ok.

It does not matter if the asset you are buying for your business is new or second hand. So, you could still claim the deduction on say, second hand machinery you have bought (after 12 May 2015).

What is not included

There are a number of assets that don't qualify for the instant asset write off as they have their own set of rules. These include horticultural plants, capital works (building construction costs etc.), assets leased to another party on a depreciating asset lease, etc.

Also, you need to be sure that there is a relationship between the asset purchased by the business and how the business generates income. For example, four big screen televisions are unlikely to be deductible for a plumbing business.

Assets must be ready to use

If you use the \$20,000 immediate deduction, you have to start using the asset in the financial year you purchased it (or have it installed ready for use). This prevents business operators from stockpiling purchases and claiming tax deductions for goods they have no intention of using in the short term.

Business and personal use

Where you use an asset for mixed business and personal use, the tax deduction can only be claimed on the business percentage. So, if you buy an \$18,000 second hand car and use it 80% for business and 20% for personal use, only \$14,400 of the \$18,000 can be claimed.

Farm Innovation Fund

The NSW Farm Innovation Fund provides loans to meet the cost of carrying out permanent capital works that will have a significant beneficial impact on the land, long term profitability of the enterprise and address adverse seasonal conditions.

For further information:

<http://www.raa.nsw.gov.au/assistance/farm-innovation-fund>

Workcover NSW Small Business Rebate

The small business rebate gives up to \$500 back to small business owners who buy and install eligible safety equipment to address a safety problem in the workplace.

For further information:

<http://workcover.nsw.gov.au/health-and-safety/safety-assistance-and-support/small-business-rebates>

Superannuation Guarantee Charge Rate – no change

The rate remains the same i.e. 9.5% for the 2014/15 and the 2015/16 years



ACCOUNTANTS
ADVISERS



building futures

36 Templar Street
Forbes NSW 2871
T: 02 6852 1855
F: 02 6852 4198

136 Clarinda Street Parkes
NSW 2870
T: 02 6862 1444
F: 02 6862 1990

info@bwraccountants.com.au

www.bwraccountants.com.au

tightening of asset test
for

PENSIONERS

however proposed

cuts to **PENSION**

INDEX have been

DROPPED

Age Pension asset test

The age pension assets test (a.k.a. Centrelink assets test) is a means test that assesses the value of the assets you own against asset thresholds and determines your eligibility for the age pension and other social security payments.

An eligible individual must satisfy two tests namely, the age pension income test and age pension assets test to receive a full or part age pension.

Centrelink Assets Test– Current as at 20 March 2015

	Home owners		Non home owners	
	single	couple	single	couple
Full pension (assets at or below)	\$202,000	\$286,500	\$348,500	\$433,000
No pension (assets at or above)	\$775,500	\$1,151,500	\$922,000	\$1,298,000

Notes: a) Fortnightly pension reduces by \$1.50 for every \$1,000 of assets above the relevant amount

b) Cut off asset values at which no pension is received may be higher if pensioner qualifies for rent assistance. Cut off asset values are also higher for illness separated couples (or where one partner eligible).

Centrelink Assets Test– Proposed from January 2017

	Home owners		Non home owners	
	single	couple	single	couple
Full pension (assets at or below)	\$250,000	\$375,000	\$450,000	\$575,000
No pension (assets at or above)	\$547,000	\$823,000	\$747,000	\$1,023,000

Notes: a) Fortnightly pension reduces by \$3.00 (up from \$1.50) for every \$1,000 of assets above the relevant amount

b) Cut of asset values at which no pension is received may be higher if pensioner qualifies for rent assistance. Cut off asset values are also higher for illness separated couples (or where one partner eligible).

The 1 January 2017 start date may seem a long way away, however it is important for those potentially affected by the measure to consider the retirement planning implications now.

The following individual income tax rates for 2014-15 apply from 1 July 2014.

Taxable income	Tax on this income
0-\$18,200	Nil
\$18,201—\$37,000	19c for each \$1 over \$18,200
\$37,001—\$80,000	\$3,572 plus 32.5c for each \$1 over \$37,000
\$80,001—\$180,000	\$17,547 plus 37c for each \$1 over \$80,000
\$180,001 and over	\$54,547 plus 45c for each \$1 over \$180,000

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

End of Year Reporting

Payroll

If you prepare your BAS please make sure you have the June quarter file back to us early to ensure we can reconcile your wages. There is an obligation for you to provide a PAYG summary to your employees by 14 July. The summary must be lodged with the ATO soon after.

If you prepare your own group certificates, please make sure the amount reported on the PAYG Summaries agrees to your total wages paid during the four quarters of the year.

Building & Construction Industry

The due date for lodging the Taxable Payments Annual Report in the building & construction industry is 28 August.