WATERHOUSE
CHARTERED ACCOUNTANTS

Planning Opportunities for Businesses

General Matters

The following matters need to be attended to as noted below:

	Due By
Staff superannuation – 9.5% gross wages	30 June 2019
June quarter Business Activity Statement	28 July 2019
PAYG summaries distributed to staff	14 July 2019
PAYG Annual Reconciliation forwarded to the ATO	14 August 2019

Note: superannuation contributions for employees need to be received by the respective superannuation funds prior to 30 June 2019 in order to obtain a tax deduction.

Single Touch Payroll

From 1 July 2019, single touch payroll (STP) – the direct reporting to the ATO of salary and wages, PAYG withholding and superannuation contribution information – will apply to all employers. This also includes the situation where payments are made to owners of businesses in the form of salary, wages or director's fees.

Employers with 20 or more employees have been required to use STP since 1 July 2018.

STP means that employers will no longer need to issue PAYG Payment Summaries to employees. Instead, employees will be able to access their "Income Statement" directly from their myGov account.

If you do not already have a payroll solution that complies with STP, there are "no-cost" or "low-cost" solutions for micro employers (those with one to four employees). For full details of payroll software providers and their costs, please refer to the ATO's website: *https://www.ato.gov.au/business/single-touch-payroll/in-detail/low-cost-single-touch-payroll-solutions/.*

If you require assistance in setting up your STP requirements, please contact our office.

No Tax Deductions if you do not Meet your Tax Obligations

From 1 July 2019, if employers do not meet their PAYG withholding and reporting obligations, they will not be able to claim a tax deduction for payments:

- Of salary, wages, commissions, bonuses or allowances to an employee;
- Of directors' fees;
- To a religious practitioner;
- Under a labour hire arrangement; or
- Made for services where the supplier does not provide their ABN.

The main exception is where you realise there is a mistake and voluntarily correct it before the ATO begins a review or audit. In these circumstances, a deduction may still be available if you voluntarily correct the problem but penalties may still apply for the failure to withhold the correct amount of tax. There is also an exception for situations where you make payments to a contractor but then later realise that they should have been paid as an employee, as long as the worker has provided an ABN.

Superannuation Guarantee (SG)

The SG rate will remain at 9.5% until 30 June 2021 and then increase by 0.5% each year until it reaches 12%.

Period	Superannuation Guarantee Rate (%)
1 July 2003 - 30 June 2013	9.00%
1 July 2013 - 30 June 2014	9.25%
1 July 2014 - 30 June 2021	***9.50%***
1 July 2021 - 30 June 2022	10.00%
1 July 2022 - 30 June 2023	10.50%
1 July 2023 - 30 June 2024	11.00%
1 July 2024 - 30 June 2025	11.50%
1 July 2025 onwards	12.00%

We remind you that superannuation for employees is generally calculated by multiplying the SG rate by gross wages (i.e. ordinary times earnings) and is payable by the following dates:

Quarter	Period	Payment Cut-Off Date
1	1 July – 30 September	28 October
2	1 October – 31 December	28 January
3	1 January – 31 March	28 April
4	1 April – 30 June	28 July

Finally, the SG age limit of 70 was removed from 1 July 2013, and employers are therefore required to contribute to the complying superannuation funds for employees aged over 70.

Proposed Superannuation Guarantee Amnesty

On 24 May 2018, the Minister for Revenue and Financial Services announced the commencement of a 12 month Superannuation Guarantee Amnesty (the Amnesty). The Amnesty was meant to act as a one-off opportunity for employers to self-correct past super guarantee (SG) non-compliance without penalty.

Legislation was introduced into Parliament on 24 May 2018, however, the legislation was not enacted and did not become law when Parliament concluded on 3 April 2019.

Therefore if you have not paid the minimum amount of SG for your employees by the appropriate due dates, you may have to pay the super guarantee charge (SGC).

The charge is made up of:

- SG shortfall amounts;
- Interest on those amounts (currently 10%); and
- An administration fee of $20 per employee, per quarter.

If you require assistance with your SG requirements, please contact our office.

$30,000 Immediate Tax Write-Off for Business Assets

From 2 April 2019 until 30 June 2020, businesses with turnover of up to $50 million will be entitled to an immediate tax deduction for the purchase of business assets, each costing up to $30,000 (GST exclusive), i.e. $29,999 or less.

Businesses with a turnover of up to $10 million can also claim a deduction for each asset purchased and first used or installed ready for use, up to the following thresholds:

- $25,000, from 29 January 2019 until before 7.30pm (AEDT) on 2 April 2019; and
- $20,000, before 29 January 2019.

Eligible assets include cars (new or used), machinery, equipment and second hand items. Assets that don't qualify include horticultural plants, capital works (building construction costs, etc.), assets leased to another party on a depreciating asset lease, etc.

From 1 July 2020 the write-off threshold is expected to revert to $1,000 for all businesses.

Payroll Tax Grouping

The payroll tax threshold for the 2018/19 financial year is $850,000, with the excess being taxed at 5.45%.

Taxable wages for payroll tax purposes include, but are not limited to:

- Salaries and wages;
- Director's fees;
- Allowances;
- Employer superannuation contributions, including salary sacrifice amounts;
- Fringe benefits; and
- Payments to some contractors.

The Payroll Tax Act contains "grouping provisions" whereby employers, or a group of related businesses, whose total Australian wages exceed the current threshold are required to pay payroll tax.

Please advise if you would like us to review the grouping provisions in relation to your business structure.

Small Business Entity (Turnover up to $10 million)

From 1 July 2016, the threshold to access the small business entity concessions increased from $2 million to $10 million enabling more businesses to access the following concessions:

- **Prepayments** - A small business is eligible to prepay business expenses where the service period for the expenditure is 12 months or less.

  The benefit of prepaying business expenses is that you bring forward the 2019/20 tax deduction into the 2018/19 year. However, you must bear in mind that the deduction will not be available in the 2019/20 year unless you again prepay the expense for the 2020/21 year, and so on.

  Cash flow permitting, you may consider prepaying business expenses covering a 12 month period such as rent, leases, subscriptions, etc.

- **Immediate deductibility for small business start-up expenses** - New small businesses can immediately deduct a range of professional expenses required to start up a business, such as professional, legal and accounting advice as well as amounts paid to Government agencies to set up their business entity.

- **Simpler depreciation rules** - Choose to pool assets and claim one deduction for each pool. Plus, access to the $30,000 accelerated deductions.

- **Simplified trading stock rules** - You can choose not to conduct a stocktake if there is a difference of less than $5,000 between the opening value of trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year.

- **Roll-over for restructures of small businesses** – The ability to change your business's legal structure without triggering CGT or income tax implications on transferring depreciating assets or trading stock.

- **Accounting for GST on a cash basis** – You can choose to account for GST on a cash basis (i.e. when you receive payment for a sale made). Your business can also claim GST credits when you actually pay for a purchase.

- **Annual apportionment of input tax credits for acquisitions and importations that are partly creditable** - Account for the private portion of business purchases annually rather than on each activity statement. Full GST credits can be claimed for a business purchase and an adjustment made for the private portion of the purchase in a later activity statement.

- **Paying GST by quarterly instalments** - You can choose to pay a GST instalment amount worked out by the ATO that can vary each quarter. Annual GST returns are lodged for this method.

- **FBT car parking exemption** - An exemption from FBT on certain car parking benefits provided to employees.

Other

Other planning opportunities you may consider include:

- Delaying the receipt of income by issuing invoices to customers after 30 June 2019;
- Bringing forward expenses. Note: you do not have to pay the expense before 30 June 2019 in order to obtain a tax deduction (other than superannuation). You need only to have "incurred" the expense which means obtaining an invoice dated pre-30 June 2019 resulting in an obligation to pay;
- Undertaking any repairs to business assets, etc. before 30 June 2019;
- Paying or accruing bonuses to staff before 30 June 2019. If the bonus is paid in cash before 30 June 2019, the staff will bring this income into their personal tax returns for the 2019 year. However, if the bonus is accrued by the business before 30 June 2019, but paid to the staff after 1 July 2019, the business will obtain a tax deduction in the 2019 year;
- If you have depreciating assets, you should review the asset register and write off any assets that the business has scrapped or disposed of. Note: if the asset was sold (including private sale), GST should have been charged on the sale (if registered for GST); and
- Writing-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 resolution confirming the write-off is recommended.

Planning Opportunities for Individuals

Superannuation Matters

The below information is general in nature. If you require specific advice for your circumstances, please contact your licenced financial adviser or Waterhouse Wealth Management.

a) Concessional Contributions

From 1 July 2018, the concessional (i.e. tax deductible) contributions cap is $25,000 for all individuals, regardless of age.

The most common types of concessional contributions are employer contributions, such as super guarantee and salary sacrifice contributions.

From 1 July 2017, the "10% rule" was removed which means that most employees are now able to claim a tax deduction for personal super contributions they make to their super fund.

If you wish to claim a tax deduction for personal contributions, you must complete and lodge a "notice of intent form" with your super fund and have this notice acknowledged (in writing) by your fund. The form is to be lodged by the earlier of either:

- The day you lodge your tax return for the year in which the contributions were made; or
- The last day of the income year after the income year in which you made the contributions.

If you are over age 65 to 74, you must satisfy the "work test" in order to make contributions. The work test requires that you must have worked at least 40 hours in a consecutive 30 day period in the financial year.

Note: after age 75 you are not eligible to make contributions.

Excess concessional contributions may attract additional tax. The excess is included in your income tax return and taxed at your marginal tax rate. You can choose to withdraw some of the excess contributions from your super fund to pay the additional tax.

Finally, from 1 July 2018, a new measure enables you to "carry forward" your unused $25,000 cap amount on a rolling 5 year basis, effectively allowing you to "top up" your superannuation in a later year.

This measure will apply if you have:

- A total superannuation balance below $500,000 as at 30 June of the previous year; and
- Not utilised your entire concessional contributions cap ($25,000) for the year.

For example, if your total concessional contributions in the 2018-19 financial year were $10,000 and you meet the eligibility criteria, then you can carry forward the unused $15,000 over the next 5 years. You may then be able to make a higher deductible personal contribution in a later financial year.

b) Non-Concessional Contributions

Non-concessional superannuation contributions are generally those contributions made from after tax dollars and are therefore not tax deductible, nor are they assessable in the superannuation fund.

For members aged 65 or over but under 75

Members aged 65 years or over but under 75 may contribute as outlined in the following table:

Total Superannuation Balance (as at 30/6/2018)	Contribution
Less than $1.6 million	$100,000 cap
Greater than or equal to $1.6 million	Nil

You must also satisfy the “work test” in order to make contributions. The work test requires that you must have worked at least 40 hours in a consecutive 30 day period in the financial year.

Note: after age 75 you are not eligible to make contributions.

For members under 65 years

Members under 65 years of age at any time in the financial year will have the option of contributing $100,000 per year or up to $300,000 over a three-year period as outlined in the following table:

Total Superannuation Balance (as at 30/6/2018)	Contribution and Bring Forward Available
Less than $1.4 million	Access to $300,000 cap (over 3 years)
Greater than or equal to $1.4 million and less than $1.5 million	Access to $200,000 cap (over 2 years)
Greater than or equal to $1.5 million and less than $1.6 million	Access to $100,000 cap (No bring-forward period, general non-concessional contributions cap applies)
Greater than or equal to $1.6 million	Nil

Transitional arrangements apply to individuals who brought forward their non-concessional contributions cap in the 2015–16 or 2016–17 financial years.

Finally, excess non-concessional contributions may attract additional tax. If you exceed the cap, you can choose to withdraw the excess contributions and any earnings from the super fund. The earnings are then included in your income tax assessment and taxed at your marginal rate. If you don’t withdraw the excess, the excess is taxed at 47%.

For further information regarding contribution caps, please visit the ATO’s website or contact us: https://www.ato.gov.au/super/self-managed-super-funds/contributions-and-rollovers/contribution-caps/.

Taxes and Levies

- **Division 293 tax** - from 1 July 2017, the Division 293 tax of 15% which is assessed to concessional superannuation contributions, will apply to those individuals with income of greater than $250,000 (down from $300,000), resulting in overall tax of 30% on the concessional contribution.
- **Medicare levy** - the Medicare levy will remain at 2%.

Prepayments

If you have a rental property or other investments (e.g. share portfolio) you are eligible to prepay investment expenses where the period for the expenditure is 12 months or less.

The benefit of prepaying investment expenses is that you bring forward the 2019/20 tax deduction into the 2018/19 year. However, you must bear in mind that the deduction will not be available in the 2019/20 year unless you again prepay the expense for the 2020/21 year, and so on.

Cash flow permitting, you may consider prepaying investment expenses covering a 12 month period, such as interest.

Private Health Insurance Rebate

The 30% private health insurance rebate is an amount that the government contributes towards the cost of your private health insurance premiums, and became income tested from 1 July 2012.

Below are the various income brackets and private health rebate entitlements that apply from, 1 April 2019:

Single Families	**≤$90,000 ≤$180,000**	**$90,001-105,000 $180,001-210,000**	**$105,001-140,000 $210,001-280,000**	**≥$140,001 ≥$280,001**
Rebate				
< age 65	25.059%	16.706%	8.352%	0%
Age 65-69	29.236%	20.883%	12.529%	0%
Age 70+	33.413%	25.059%	16.706%	0%

(Source: https://www.privatehealth.gov.au/health_insurance/surcharges_incentives/insurance_rebate.htm.)

You may therefore wish to review your 2019 income position and, if appropriate, bring forward tax deductions or delay the receipt of income so that you can maximise your health insurance rebate.

Salary Packaging

There may be an opportunity to salary package certain work related items that are exempt from fringe benefits tax. This effectively means you acquire the item from pre-tax salary rather than from after tax salary, and may include the following items:

- Portable electronic devices such as mobile phones, laptops, tablets, portable printers and GPS navigation receivers;
- Computer software;
- Protective clothing;
- Briefcases; and
- Tools of trade.

You may also be salary sacrificing into superannuation. Note that the annual concessional contributions cap is $25,000 for all individuals regardless of age. Therefore, you may need to review salary sacrificing arrangements to ensure that your total superannuation contributions, including employer superannuation guarantee support, does not exceed $25,000.

If applicable, you should discuss this with your employer and/or their payroll department.

NSW Land Tax "Foreigner" Surcharge

If you are a foreign person who owns residential land in NSW, you must pay a surcharge of 0.75% for the 2017 land tax year and 2% from the 2018 land tax year onwards.

You may be a foreign person if you are not an Australian citizen.

A foreign person can be:

- An individual;
- A corporation;
- A trustee of a trust;
- A beneficiary of a land tax fixed trust;
- A government;
- A government investor; or
- A partner in a limited partnership.

Please note, where a discretionary trust has even just one foreign person as a potential beneficiary, the trust may be treated as a "foreign person" and be subject to surcharge land tax.

If you have a discretionary trust and are concerned you may be affected by these rules, please contact us.