



Federal Budget tax measures that may impact your business

Small and medium sized businesses received a bit of attention from the Government in this year's 2018-19 Budget.

Making it all the way to number 2 on the Government's priority list of 'must-do's', the Government stressed that it must "keep backing business to invest and create more jobs, especially small and medium sized businesses".

With that said, a handful of measures were announced to support these businesses in Australia.

If you are a small or medium sized business owner, we've listed a few of the key Budget measures, tax breaks and outcomes that may directly impact you.

Please note, most of the budget measures still need to be passed by parliament.

1. \$20,000 instant asset write-off extended to 30 June 2019

Do you own a small business? Have you been planning any significant purchases?

If so, the great news is: you have another 12 months to take advantage of the \$20,000 instant asset write-off scheme!

This tax break only applies to small businesses with an aggregated turnover of less than \$10 million.

Note: On 1 July 2019, the threshold is scheduled to reduce to \$1,000.

How does this work?

If you buy an asset to use for business purposes and it costs less than \$20,000 (net of GST), you can immediately deduct the business portion of the cost in your tax return.

This deduction is used for each asset that costs less than \$20,000.

You would then claim the deduction through your tax return, in the year the asset was first used or installed ready for use.

Example:

Jane owns a plumbing business. She buys five new laptops for her employees. Jane can take advantage of the \$20,000 instant asset write off for all of these items because each individual item costs less than \$20,000.

Jane also buys five second-hand mobile phones for her employees. The mobile phones are 50% for personal use and 50% for business use. This means only half the full amount of the mobile phone can be claimed.

2. Major crackdown on the cash economy

If you are in the habit of making cash payments when you conduct business, you may need to start considering using alternative methods of payment. The Government is seriously cracking down on cash payments over \$10,000.

Three new key measures targeting cash economy (aka 'Black Economy') activities and illegal phoenixing are being introduced by the Government. These are:

- Limiting cash payments within Australia to \$10,000
- Disallowing deductions to businesses for payments to employees where PAYG could have been withheld and payments to contractors where an ABN is not provided and the business does not withhold any tax
- Expanding the Taxable Payments Reporting system to cover contractor payments in the security providers and investigation services industry, road freight transport and computer system design and related services industry.

3. Personal tax relief for low and middle-income earners

If you earn less than \$90,000, you can expect some tax relief in the form of a new low and middle income tax offset and changes to personal income tax brackets.

Low and middle-income tax offset

- This offset will provide tax relief of up to \$530 to low and middle income earners for the 2018-19, 2019-20, 2020-21 and 2021-22 income years.
- This offset means around 4.4 million people will receive the full \$530 benefit for 2018-19.

Note! The benefit is in addition to the existing low income tax offset and will be available on assessment after a you lodge your tax return.

What are your savings per year?

If you earn...	Your savings per year
\$37,000 or less	Up to \$200
\$37,001 - \$47,999	Between \$200 - \$530
\$48,000 - \$90,000	Up to \$530
\$90,001 - \$125,333	Up to \$530, gradually reducing to \$0

Changes to personal tax brackets

- From 1 July 2018, the top threshold of the 32.5% tax bracket will be increased from \$87,000 to \$90,000.
- When the low and middle-income tax offset concludes in 2021-22, the benefits will be locked in by increasing the top threshold of the 19% tax bracket from \$37,000 to \$41,000 and increasing the low income tax offset from \$445 to \$645 from 1 July 2022.
- From 1 July 2022, the top threshold of the 32.5% tax bracket will be increased from \$90,000 to \$120,000, providing a tax cut of up to \$1,350 per year.

How does this impact small and medium sized businesses?

The immediate relief for low and middle-income earners will be a significant benefit to the nearly 40% of small businesses that are unincorporated.

There will be some tax changes for your employees, so now is the time to review your payroll software, PAYG withholding tax and business processes. ■

Note!

- Single Touch Payroll is coming on 1 July 2018! If your business has 20 or more employees, you'll need to report payments such as salaries and wages, withholding and super information to the ATO directly from your payroll solution at the same time you pay your employees.

Tip!

- Speak to your payroll software provider or your tax adviser to find out how you can be compliant.



What's attracting the ATO's attention this tax time?

Enhancements in technology and data matching mean the ATO is able to detect people and businesses operating outside the tax system this tax time.

The ATO are keeping a watchful eye and looking out for behaviours, characteristics and tax issues that may raise questions and attract their attention.

Behaviours that may attract the ATO's attention

- Tax or economic performance that is not comparable to similar businesses
- Low transparency of your tax affairs
- Large, one-off or unusual transactions, including the transfer or shifting of wealth
- Aggressive tax planning
- Tax outcomes inconsistent with the intent of the tax law
- Choosing not to comply or regularly taking controversial interpretations of the law, without engaging with the ATO
- Lifestyle not supported by after-tax income
- Accessing business assets for tax-free private use
- Poor governance and risk-management systems.

Other areas of concern...

Fringe benefits tax

- Situations where an employer-provided motor vehicle is used for private travel of employees. This constitutes a fringe benefit and needs to be declared on your FBT return.

Note! There are circumstances where this benefit may be exempt, such as where the entity was tax exempt or the private use of the vehicle was exempt.

Self-managed super funds

- Significant management and administration expenses
- Incorrect calculation of exempt current pension income
- Incorrect treatment of related party transactions
- Personal services income diverted to SMSFs
- Incorrect treatment of non-arm's length income

Trusts

What attracts the ATO's attention is a complying superannuation fund (generally an SMSF) that receives income distributions from a trust where the distributions result from:

- the exercise of a discretion of the trustee
- the fixed entitlement was not acquired on arm's length terms
- the fixed entitlement was acquired using a loan from a related lender and is not on arm's length terms
- there are loans between related parties which are not on arm's length terms which have facilitated the acquisition of assets within the trust
- the rate of return received by the superannuation fund from its investment is not consistent with an arm's length return.

Lifestyle assets and private pursuits

The ATO is focusing on assets and private pursuits that generate deductions or are mischaracterised as business activities. Some of these include:

- private aircraft ownership or activities
- art ownership and dealings
- car or motor bike racing activities
- luxury and charter boat activities
- enthusiast or luxury motor vehicles
- grape growing and other farming pursuits
- horse breeding, racing and training activities
- holiday homes and luxury accommodation provision
- sporting clubs and other activities involving participation of the principals or associates of principals of private groups.

Tip! If you're concerned about your tax or super position, speak to your tax adviser or the ATO. You can correct a mistake by making a voluntary disclosure. ■

Onkaparinga Council Small Business Grants

The Onkaparinga Council is offering small business grants. The closing date is Friday the 29th of June 2018. Please visit their [website](#) to read the Grant Guidelines.

There are 3 categories:

Start-Up

The Start-up Grant seeks to support start-up businesses of less than 18 months of operation that are innovative and sustainable, through seed funding.

Innovation

The Innovation Grant seeks to unlock business innovation through new technologies to encourage business growth.

Marketing and Communications

The Marketing and Communication Grant seeks to support businesses in developing their marketing and communications potential through strategy, web development, SEO and google analytics, communications and public relations, branding, advertising and visual merchandising.

How to apply

Grant applications are online making it a simple process to populate your information, attach your supporting documentation and submit!

Be sure to speak with one of the grant team members about your project/initiative prior to submitting your grant application by calling the council on 8384 0666 or emailing onbusiness@onkapinga.sa.gov.au ■



Changes to GST on property transactions

From 1 July 2018, if you are purchasing new residential premises or potential residential land you will have to pay the GST directly to the ATO as part of the settlement.

These changes will apply to contracts entered into on or after 1 July 2018.

The amount of GST hasn't changed, just who is required to pay the GST to the ATO. You as the purchaser now pays the GST directly to the ATO instead of paying it to the developer as part of the purchase price.

You won't have to register for GST to make this payment.

Property developers will need to give written notification to you when you need to withhold an amount for GST.

This does not affect sales of existing residential properties or the sales of new or existing commercial properties. ■

Superannuation

For the 2017/2018 financial year, most people are able to make superannuation contributions and claim a tax deduction. (you should speak to your financial planner, as to whether contributing to superannuation is a good financial decision for your particular circumstances)

If you have contributed to your superannuation fund and wish to claim a tax deduction, make sure you receive an acknowledgement advice from the fund. The advice indicates the amount of the contribution and your intention to claim a tax deduction. ■



Financial Planning Services

Financial Planning services are now available through our associated business, Southern Finance Solutions.

All accounting and taxation services will continue to be provided to you by Southern Business Solutions.

Southern Finance Solutions is a corporate authorised representative of Politis Investment Strategies Pty Ltd.

Politis Investment Strategies is a boutique financial planning and investment management firm. Their unique approach allows them to provide you with financial planning services on a genuine fee for service basis, with no products, platforms or commissions.

This service offering is one that we are sure will benefit you and is aligned with the high standards and values held within our Accountancy practice. As part of the Politis Investment Strategies group, their approach to financial planning, investment management and account administration is of the highest quality.

As an authorised representative of Politis Investment Strategies, Jason Ellis of Southern Finance Solutions provides a comprehensive financial planning service which includes all aspects of wealth accumulation and retirement planning, including personal risk protection advice.

We would like the opportunity to tell you more about how Southern Finance Solutions can assist you with your financial planning requirements.

If you are interested in these services, please contact Southern Finance Solutions on Ph: 8186 8444 to make an obligation free half hour appointment to discuss how they can be of service to you. ■



Key tax dates

Date	Obligation
21 June 2018	May monthly BAS due
16 July 2018	Issue PAYG withholding payment summaries
23 July 2018	June monthly BAS due
30 July 2018	<ul style="list-style-type: none"> • June quarter SG due • June quarterly BAS due • June quarter PAYG instalment due
1 August 2018	August fuel tax credit rates change
14 August 2018	PAYG withholding annual report due
21 August 2018	July monthly BAS due
28 August 2018	<ul style="list-style-type: none"> • Taxable payments annual report due • June quarter SG charge statement due

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