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It's tax time 2018! What you need to know about the key changes

It's that time of year again – tax return time!

Before you complete your tax return for 2018, here are some key dates, changes and information that you should be aware of in case they affect you.

What's new for small business?

Several new tax time-related changes have happened since last year that may affect you. Here are a few of them to be aware of.

1. **Lower company tax rate changes**

   From 1 July 2017, companies that are base rate entities will apply the 27.5% corporate tax rate.

   A company is a base rate entity for 2017-18 if it has an aggregated turnover of less than $25 million and is carrying on a business for all or part of the income year.

The company tax rate will remain at 30% for other companies that are not base rate entities.

Note!

- The maximum franking credit that can be allocated to a frankable distribution has also been reduced to 27.5% for these companies, in line with the company tax rate.

2. $20,000 instant asset write-off threshold extended

The $20,000 instant asset write-off threshold has been extended until 30 June 2018. This means that if you bought an asset before 30 June and it cost less than $20,000, you can write off the business portion in your 2018 tax return.

If you are a small business, you can immediately deduct the business portion of most assets that cost less than $20,000 each if they were purchased:

- from 1 July 2016 to 30 June 2018, and your turnover is less than $10 million and the asset was first used or installed ready for use in the income year you are claiming it in;
- from 7.30pm on 12 May 2015 to 30 June 2016, and your turnover is less than $2 million.

This deduction is used for each asset that costs less than $20,000, whether new or second-hand.

Note!

- In the latest Federal Budget, there was a proposal to extend the $20,000 instant asset write-off threshold to 30 June 2019. This change is not law yet.

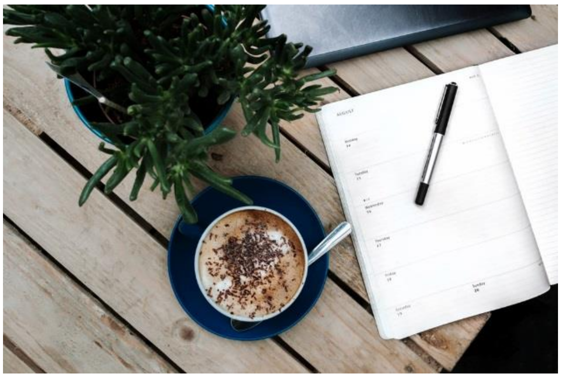
3. Single touch payroll

Single touch payroll (STP) is a reporting change for employers. It started on 1 July 2018 for employers with 20 or more employees.

You will report payments such as salaries and wages, pay as you go (PAYG) withholding and superannuation information from your payroll solution each time you pay your employees.

You can do this through your existing payroll software (such as accounting software) as long as it is updated to offer STP reporting. Payroll software providers are updating their products now. Talk to your provider to find out how and when your product will be ready

- If you have 20 or more employees you will need to report through STP from 1 July 2018. The first year will be a transition period and penalties may not apply.
- If you have 19 or less employees, you will need to report through STP from 1 July 2019, subject to legislation being passed in parliament.



What can I claim for my business at tax time?

You can claim most expenses you incur in running your business. While different businesses will have different costs, here are common expenses:

- **Operating expenses:** Most businesses have everyday operating expenses, including then costs of stationery, trading stock, advertising, bank fees and insurance. There are also operating expenses when your business is online such as registration, web hosting and licensing fees.

- **Business premises costs:** You can claim business premises costs such as electricity, phone, water, rental or lease. If you run your business at your home or your business is based from home, you can claim the business portion of occupancy expenses and running expenses, like mortgage and electricity.

- **Travel for business:** Do you or your employees travel for business? You can claim business travel expenses such as bus, plane, Uber or taxi trips. If you have a vehicle for your business, you can claim motor vehicle expenses associated with running and maintaining the vehicle such as petrol, rego and insurance.

- **Salaries and wages:** If you're an employer, you can claim the costs of employing people such as salaries and wages, and super contributions you make on their behalf.

Expenses and deductions checklist

- Claim deductions for most costs you incur in running your business, such as staff wages and super, operating expenses and home-based business costs.
- If you or your employees travel for business, claim business travel expenses.
- If you have a vehicle for your business, claim motor vehicle expenses associated with running and maintaining the vehicle such as petrol, rego and insurance.
- If you run your business at your home, or your business is based from home, claim the business portion of some expenses, including mortgage interest and electricity. If you then sell your home, you may have to pay CGT on the business portion and declare it in your tax return.
- Claim a deduction for donations made to an organisation if they are a deductible gift recipient (DGR).
- Keep accurate records of all business transactions to support your claims and make it easier for you.
- The following expenses are non-deductible:
    - penalties and traffic fines
    - private or domestic expenses childcare fees and clothes for your family
    - expenses related to income that is not assessable, such as money you earn from a hobby.

Small business income tax offset

The small business income tax offset (also known as the unincorporated small business tax discount) can reduce the tax you pay by up to $1,000 each year.

You can get an offset of up to $1,000 if you're a sole trader or have a share of net small business income from a partnership or trust.

The offset, which is worked out on the proportion of tax payable on your business income, is:

- 8% for the 2016-17 income year onwards;
- 5% for the 2015-16 income year.

The offset increases to:

- 10% in 2024-25;
- 13% in 2025-26;
- 16% in 2026-27.

Deductions for start-ups

Deduct the full cost of certain start-up costs for your new business, including professional advice in your tax return.

The range of deductible start-up costs includes professional, legal and accounting advice and government fees and charges.

Superannuation concessions

As a small business, you may be eligible for super concessions. These include:

- **Superannuation clearing house:** The Small Business Superannuation Clearing House helps you pay super guarantee contributions for all your employees in a single electronic payment. If you have 19 or fewer employees or a turnover under $10 million you can access this service.

- **Contributions of small business CGT concession amounts to your super fund:** You may be able to contribute amounts from the CGT 15-year asset exemption and retirement exemption to your super fund without affecting your non-concessional contributions limits. The turnover threshold for this concession is $2 million as it relates to CGT concessions (this threshold has not changed).

How does my business compare to other businesses?

Small business benchmarks are a guide to help you compare your business' performance against similar businesses in the same industry.

The easiest and quickest way to see how your business compares to competitors is by using the business performance check tool.

Tip!

- You can find the business performance check tool by downloading the ATO app from Google Play, the Windows Phone Store or the Apple App Store. The personal information you enter isn't recorded and will only be used for completing the tool.

Outside the benchmark?

Your benchmark might be above or below the range for your business turnover in your industry. There could be a number of reasons why this has happened, including:

- you are only starting up or winding down your business
- higher costs or lower selling prices than your competitors
- incorrect entries on your tax return, for example salary and wages to directors or associates.

- ***Note!*** It doesn't necessarily mean you have done anything wrong if your business is significantly outside the key benchmark range for your industry. However, it does indicate something is unusual and may prompt the ATO to contact you for further information.

Super guarantee payments and the self-employed

If you're a sole trader or in a partnership, you generally don't have to make superannuation guarantee (SG) payments for yourself. However, you may want to make personal contributions to super as a way of saving for your retirement.

From 1 July 2017, regardless of whether you're self-employed or not, most people will be able to claim a full deduction for contributions they make to their super until they turn 75 years old. Those aged 65 to 74 will still need to meet the work test in order to be eligible to make a contribution and claim a tax deduction. Keep in mind that contributions you make may attract extra tax if they exceed the contributions limit for that year.

Tip!

- You may also be eligible for the super co-contribution payment. This helps eligible low-to-middle income earners save for their retirement. If you're eligible and you make personal super contributions, the government will match your contribution up to certain limits, unless you have claimed your contribution as a tax deduction.

Casual employees may be entitled to super

Employing casual workers provides businesses with an increased level of flexibility. However, it's important to remember that casual employees may be entitled to super.

Here are the basics:

- You may need to pay super guarantee (SG) regardless of whether your employee is full-time, part-time or casual.
- If you pay your employee $450 or more (before tax) in a calendar month, you have to pay SG on top of their wages.
- If your employee is under 18 years old, they must also work for more than 30 hours per week to qualify for SG.

Super guarantee is currently calculated at 9.5% of a casual employee’s ordinary time earnings. This includes their wage plus any casual or shift loadings for ordinary hours of work. It also includes commissions and some allowances, but it doesn't include overtime payments.

Tip! Speak to your tax adviser to work out if your casual workers are eligible for super and whether your workers are employees or contractors

New rate for car expenses

The rate for work-related car expenses has increased for the income year starting 1 July 2018. It is now 68 cents per kilometre.

This applies if you have chosen to use the cents per kilometre method for calculating work-related car expenses and will remain in place until the Commissioner decides it should be varied.

If you are paying your employees a car allowance in excess of 68 cents per kilometre, you need to withhold tax on the amount you pay over 68 cents.

Scam warning – Scammers impersonating tax agents

In a recent twist in the 'fake tax debt' scam, the tax office has received increasing reports of a new scam method where scammers impersonate registered agents to lend legitimacy to their phone call.

The fraudsters do this by:

- coercing the victim into revealing their tax agent's name
- initiating a three-way phone conversation between the scammer, the victim, and another scammer impersonating the victim's registered agent or someone from the agent's practice

In one recent example, a victim withdrew thousands of dollars in cash and deposited it into a Bitcoin ATM, fearing police had a warrant out for their arrest. The phone conversation with the scammers appeared legitimate, and the victim trusted the advice of the scammer 'tax agent'.

Please be aware the tax office will never:

- demand immediate payments
- threaten them with arrest
- request payment by unusual means such as iTunes vouchers, store gift cards or Bitcoin cryptocurrency

If you are suspicious about a phone call from someone claiming to be us or the tax office, we recommend you hang up on the call and contact us directly on 8186 8444 to verify the call.

Alternatively, you can also call the tax office on 1800 008 540.