

## TaxWise

Business News

February 2018



## The small business \$20,000 instant asset write-off extended... time to go shopping!

The small business write-off threshold of \$20,000 has been extended to 30 June 2018 and is available to all small businesses with an aggregated turnover of less than \$10 million. After 30 June this year, the threshold will reduce to \$1,000.

If you have upcoming business expenses, now might be a good time to do some shopping so that you can claim the deduction in the current financial year!

### The \$20,000 instant asset write-off explained

If you buy an asset to use for business purposes and it costs less than \$20,000, 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.

It is important to note that the cost of an asset includes both the amount you paid for it and any additional amounts you spent on transporting and installing it.

#### **Note!**

- There is no limit to how many assets you can claim the deduction for. However, each one must cost less than \$20,000.
- If you later sell the asset for which you claimed an instant asset write-off, you include the taxable purpose proportion of the amount you received for the asset in your assessable income.

## What assets are included?

- Assets that cost less than \$20,000
- Assets that are used for business purposes
- 'Physical' assets – e.g. computers, phones, vehicles, tools etc
- New or second-hand assets

**Tip!** You may be able to claim a deduction for business website costs using the simplified depreciation rules. Speak to us to find out more.

## What assets are excluded?

- Assets that cost more than \$20,000
- Assets that are used for personal purposes
- Assets that are leased out (or expected to be leased out) for more than 50% of the time on a depreciating asset lease
- Assets you already allocated to a low-value pool
- Horticultural plants – e.g. grapevines
- Software allocated to a software development pool
- Capital works

**Tip!** Capital works used to produce income, including buildings and structural improvements, are written off over a longer period than other depreciating assets. Speak to us to find out more.

## How this works

You buy a new computer for \$6,800 that you use 80% of the time for business purposes and 20% of the time for personal purposes.

You also buy a second-hand printer for \$700 which you use 100% of the time for business purposes.

For the computer, you would calculate your instant asset write-off as 80% (the business use proportion) of \$6,800, so you would claim \$5,440.

For the printer, you would claim the entire cost of \$700.

## Are you registered for GST?

The threshold amount of \$20,000 assumes that you are not registered for GST.

If you are registered for GST, you exclude the GST amount you paid on the asset when you

calculate your depreciation amounts (and your instant asset write-off threshold is \$20,000 exclusive of any GST).

If you are not registered for GST, you include the GST amount you paid on the asset in your depreciation calculations (and your instant asset write-off threshold is \$20,000 inclusive of any GST).

**Tip!** For further information about GST impacts, speak to us. ■



## Changes are coming to GST from 1 July 2018: is your business ready?

From 1 July 2018, Australian GST will apply to sales of low value goods (AUD \$1,000 or less) that are imported by consumers into Australia.

Simply put, these GST changes mean that:

- all goods imported by Australian consumers, even those worth less than \$1,000, will be subject to 10% GST;
- overseas retailers who sell goods to Australian consumers and make more than AUD \$75,000 per year will be required to register and impose GST. Under the old GST laws, this only applied to retailers who were selling goods valued at over \$1,000.

The existing processes to collect GST on imports above \$1,000 at the border are unchanged.

### **To do!**

If your business meets the \$75,000 registration turnover threshold, you will need to act now to review your business systems to ensure that you

are compliant from 1 July this year. You will also need to:

- ensure you are registered for GST
- charge GST to customers on low value imported goods
- lodge a return to the ATO.

## Why the GST reform?

The Government's intention is to ensure that Australian businesses, particularly small retailers, are not unfairly disadvantaged by the current GST exemption that applies to imports of low value goods. The new GST laws ensure that low value goods imported by consumers in Australia are treated in the same manner as goods that are sourced domestically.

## Which businesses are affected?

- Suppliers of low value goods
- Electronic distribution platforms (EDPs) – online marketplaces that assist in the importation of goods into Australia will essentially be treated as a supplier under these new measures, and be required to register for, collect and remit GST.
- Re-deliverers – re-deliverers are used by Australian consumers in cases where the overseas retailers do not deliver to Australia (e.g. offshore mailbox services). The re-deliverer will charge GST on the goods and for their services in bringing the goods to you, if they are registered or required to be registered.

## Sales of low value imported goods to Australian GST-registered businesses

GST only applies to sales of low value imported goods to consumers in Australia. Your customer is not a consumer if they are a GST-registered business who purchases the goods for use in their business in Australia.

If your business is the recipient of low value goods, you should notify suppliers of your GST registration to ensure you are not being charged GST twice.

### Tip!

- Make sure you are not charged GST twice by providing a copy of your receipt that shows GST has already been paid if you were charged GST when you bought the goods; and the goods are low value goods.
- If you do not provide this receipt before GST is charged at the border, you will have to pay GST again and will need to seek a refund of GST from the supplier, by declaring or providing evidence that you paid GST when the goods were imported.

**Note!** Your business systems will need to be able to determine whether the sales are made to consumers in Australia or to businesses that are registered for Australian GST.

**To do!** If you are affected by these changes, speak to us to discuss process strategies and options to manage the impact of these new obligations on your business. ■



## How to make your GST reporting easier

If you are a small business with a GST turnover of less than \$10 million, Simpler BAS is now your GST reporting method. This means you only need to report total sales, GST on sales and GST on purchases, which will save you time and money.

If you use accounting software, you can keep your original detailed GST classifications, or choose the Simpler BAS bookkeeping settings with reduced codes. It is completely optional and the choice is yours.

Paper BAS forms have not changed, just leave the sections blank where information is no longer needed.

**Note!** The ATO has developed a Simpler BAS GST bookkeeping guide. This helps with the classification of sales and purchases, and explains common and also misunderstood GST transactions. You can find the guide on the ATO small business newsroom website. ■



## Did you know that some fresh foods are subject to GST?

Some fresh foods, including salads, sushi and cooked pasta with sauce may be subject to GST.

## Are you a GST-registered food business?

If you operate a GST-registered food business, you will need to include GST where your food is:

- for consumption on the premises where it is sold (e.g. sold at a restaurant or cafe)
- hot food for consumption away from the premises where it is sold (e.g. a takeaway meal with a hot component)
- 'food marketed as a prepared meal' (which can include some salads).

## 'Food marketed as a prepared meal'

You need to weigh up a number of factors to work out if your food is 'food marketed as a prepared meal'. Ask these questions:

- Does the packaging and labelling indicate it is a prepared meal (e.g. referred to as lunch)?

- Does the menu or signage at the point of sale indicate the food is marketed as a prepared meal (e.g. 'lunch to go')?
- Does it include all of the necessary ingredients for a complete meal?
- Is it packaged for immediate consumption and cannot be resealed?
- Is it supplied with cutlery and a napkin?
- Is it priced similar to other comparable prepared meals?
- Is it competing with other takeaway meals?

## 5 simplified accounting methods for food retailers

Five simplified accounting methods (SAMs) have been designed for food retailers who buy and sell a mixture of products, where some are taxable and some are GST-free.

You use a SAM to estimate your GST at the end of each tax period.

1. Business norms: Apply standard percentages to your sales and purchases. This is the simplest method but can only be used by specified business types.
2. Stock purchases: Apply the percentage of your GST-free purchases to your GST-free sales.
3. Snapshot: Take a snapshot of your trading and use this sample to estimate your GST-free sales and GST-free purchases.
4. Sales percentage: Work out what percentage of GST-free sales you made in a tax period and apply this to estimate your GST-free purchases.
5. Purchases snapshot: Take a snapshot of your purchases and use this sample to calculate your GST credits. Available to restaurants, cafés and caterers only.

### Tip!

- To use a SAM, make sure you are registered for GST and your turnover is not more than \$2 million. You must also be a retailer who sells both taxable and GST-free food at the same premises (or, for the purchases snapshot method, you buy both taxable and GST-free food). ■



## Do you provide cars, holidays or club membership to your employees?

Rewarding your employees beyond their usual salaries is a great way to show your appreciation for a job well done.

If you do provide your employees with benefits or lifestyle assets to use for their personal enjoyment, it is important to remember that these benefits and assets may have fringe benefit tax (FBT) implications for your business.

Ensure you are meeting your FBT obligations by keeping accurate records to determine any related income tax deductions you may be able to claim.

**Note!** The FBT year runs from 1 April to 31 March.

### What is FBT?

- FBT is a tax employers pay on certain benefits they provide to their employees – including their employees' family or other associates.
- The benefit may be in addition to, or part of, their salary or wages package.
- If you are a director of a company or trust, benefits you receive may be subject to FBT.
- FBT is separate to income tax and is calculated on the taxable value of the fringe benefits provided.

### Types of fringe benefits

- Car fringe benefits
- Car parking fringe benefits

- Entertainment and fringe benefits
- Expense payment fringe benefits
- Loan fringe benefits
- Debt waiver fringe benefits
- Housing fringe benefits
- Board fringe benefits
- Living away from home allowance fringe benefits
- Property fringe benefits (including property, goods or shares)
- Residual fringe benefits (benefits not covered by the above categories)

### Private use of exempt motor vehicles for FBT

If a car you own or lease is made available for the private use of your employee, you may be providing a car fringe benefit. There are some circumstances where use of the car may be exempt from FBT.

**Tip!** Speak to us regarding FBT car-related exemptions where you make an eligible vehicle available to your employee for their minimal private use. ■



## Superannuation: what employers need to know

Superannuation is money you pay for your workers to provide for their retirement.

Generally, if you pay an employee \$450 or more before tax in a calendar month, you have to pay super on top of their wages. The minimum you must pay is called the super guarantee (SG).

The SG is 9.5% of an employee's ordinary time earnings.

**Note!** SG payments are due on 28 January 2018. Make sure you pay the SG on time to avoid paying the SG charge!

## Employer super quick check

Here's how to run a quick check of your super obligations to make sure you have everything sorted.

- Check you are paying super to all eligible workers (some contractors may be entitled to super)
- Check you are paying the right amount
- Check you are paying on time
  - It is tax deductible against your business income
  - At a minimum, you can pay super quarterly
  - If you fail to pay on time, you may need to pay a SG charge, which is not tax deductible
- Check you are paying to the right place (pay super into your worker's fund of choice or your default fund)
- Check you are paying the right way
  - Pay the SuperStream way – send both the payment and data electronically in a standard format
  - You may be able to use the free Small Business Super Clearing House to distribute payments to your employees' super funds
- Check you are keeping accurate records ■



## Are you thinking of changing from sole trader to a company?

As your business develops you may need to adapt to changing needs. One common change is moving from a sole trader to a company business structure.

### Company vs sole trader: what's the difference?

Understanding the key differences between these two structures is important as it can affect how you run your business.

**Tip!** Speak to us to discuss your options and tax obligations.

### A list of did-you-knows...

- Do you know as a company director you may also have potential personal liabilities for the tax withheld on employee wages and super payments?
- Do you know that different tax rates apply for a sole trader compared to a company?
- Do you know that as a company director you need to lodge two income tax returns – your individual tax return and a company tax return?
- Do you know that you don't have to become a company to employ people – you can employ staff under either structure?
- Do you know that sole trader business structures have the fewest compliance costs and lowest volume of paperwork? Other structures, such as a company, have more paperwork and ongoing costs.
- Do you know that as a company director, even if you are not hands-on (e.g. a silent director) and/or you later leave the company, you are still responsible and liable for the period you were a director?
- As a company director, do you know what your obligations are to the company, its members (owners) and any creditors?
- Do you know that a company must have at least one person who is over the age of 18 and resides in Australia to act as a director?

- Do you know your legal obligations and the difference between being a company director and a company member?
- If you are running a company, do you know what to do if things go wrong, such as getting into financial difficulties?
- Do you know how to update ASIC when certain details regarding the running of your company change?
- If you want to resign as a company director, do you know what you need to do?

**Tip!** The ASIC website provides a wealth of information about changing your business structure and what your responsibilities and potential liabilities might be. ■



## Hiring new employees? TFN declaration forms can be downloaded

There is a lot of paperwork to complete when you hire new employees. The good news is: you no longer need to order the form and wait for it to be mailed to you.

The ATO has developed a fillable TFN declaration form which is available on their website. You can download it from [ato.gov.au/TFNdec](http://ato.gov.au/TFNdec) or even better, ask your new employee to download the form and fill it in on the screen.

Once it is filled in, print it off, get your employee's signature then send the original copy to the ATO using the address on the form within 14 days.

**Tip!** Don't forget to keep a copy for your files! ■

## Key tax dates

Date	Obligation
21 February 2018	January monthly BAS due
28 February 2018	<ul style="list-style-type: none"> <li>• December quarterly BAS due</li> <li>• December quarter SG charge statement due</li> <li>• December quarter PAYG instalment due</li> </ul>
21 March 2018	February monthly BAS due
23 April 2018	March monthly BAS due
30 April 2018	<ul style="list-style-type: none"> <li>• March quarterly BAS due</li> <li>• March quarter SG due</li> <li>• March quarter PAYG due</li> </ul>
21 May 2018	2018 FBT return due
	April monthly BAS due
28 May 2018	March quarter SG charge statement due

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HARDING  
MARTIN

CHARTERED ACCOUNTANTS

E: [admin@hardingmartin.com.au](mailto:admin@hardingmartin.com.au)

T: +61 7 3812 2233

F: +61 7 3812 2386

W: [www.hardingmartin.com.au](http://www.hardingmartin.com.au)

A: 221 Brisbane Street, Ipswich, QLD 4305  
PO Box 763, Ipswich, QLD 4305