

Business Tax Tips

Welcome to our 2020 End of Financial Year Tax Tips for Businesses. The information is general in nature and advice should be sought for your own personal circumstances.

WE ARE COMING INTO THE BUSY TAX SEASON

Apologies in advance if I am more difficult to get hold of over the busy season! Please send me an email or leave a detailed message so I can respond to you as soon as I am able.

BOOKING TAX APPOINTMENTS

If you'd like to make an appointment for your tax, get in touch with me now at diana@lizardfinancial.com.au. Alternately I will be in contact over the coming months to arrange a suitable time with you.

SMALL BUSINESS RECOVERY GRANT

To help businesses recover following the effect of COVID-19, the NSW Government is offering small businesses the ability to apply for funding up to \$3,000. Grant funds can be used to cover marketing and advertising expenses, make fit-out changes, and train staff in how to work safely under the current [COVID-19 health conditions](#). Applications will open on the [Service NSW website](#) from 1 July 2020 until 16 August 2020.

SINGLE TOUCH PAYROLL

[Single Touch Payroll \(STP\)](#) will mean a phasing out of PAYG Payment Summaries and Payment Summary Annual Reporting because salary, tax and super info is reported to the ATO after each pay, and up-to-date information is available to employees through [myGov](#). There is still an end of payroll year finalisation process required, and STP finalisation is required to be complete by 14 July for medium to large businesses, or by 31 July for

businesses with fewer than 19 employees. More information is available [here](#). Please contact me now if you need help with this process and have not yet booked in a time with me.

BUSINESS ENERGY ADVICE PROGRAM

Business Australia is helping small businesses (between 6-20 employees, or in a drought-affected business with 0-5 employees) by consulting with and tailoring free information and advice for your business to help you save money, reduce energy demands, and create a better energy future for our region. To find out more and access this free service, head [here](#).

TURNOVER <\$500M? ACCESS THE \$150,000 INSTANT ASSET WRITE-OFF

The instant asset write-off has been extended until 30 June 2020 and limit increased to \$150,000. Under this measure, small and medium sized businesses with turnovers of less than \$500 million (up from \$50M) are able to immediately deduct purchases of eligible assets costing less than \$150,000 per asset (new or second hand) which are purchased and first used or installed ready for use between 12 March 2020 and 30 June 2020. Income thresholds and spend limits have changed over time (it may be further extended to 31 December 2020 pending parliamentary process). For more info see [here](#).



DEDUCTIONS FOR NON-COMPLIANT PAYMENTS TO WORKERS

From 1 July 2019, if you haven't met the PAYG withholding obligations for payments to workers, you'll lose your payment deduction. That is, you must withhold the correct tax, and report the amount to the tax office. For more information click [here](#).

DIRECTORS' LOAN ACCOUNTS

Review all directors' loan accounts to ensure there are no asset or negative liability balances in the company accounts. You may need to make a payment back to your company before 30 June 2020 to bring it back to zero. If you cannot afford to do this, please contact me to arrange a loan agreement document to be drawn up.

TRUST RESOLUTIONS

Trusts need to ensure they have passed a resolution by 30 June 2020 regarding their 2020 distributions. If you need any assistance drafting the wording for this, please let me know.

PROPERTY VALUATION

If you own a property within your SMSF you need to have it valued as at 30 June 2020. We can arrange this for you, and it may be free of charge depending on the type, value and location.

PREPAYING EXPENSES

If cash flow permits, businesses should consider prepaying some expenses (up to 12 months in advance) or buying non-depreciable plant & equipment in order to maximise their tax deductions in the current financial year. Expenses could include computers, materials, rent, advertising, insurance, electricity, stationery and lease payments.

BAS REMINDER

BAS is still due 21 July 2020 for monthly remitters and 28 July 2020 for quarterly remitters, despite it being the end of financial year.

CHANGES TO BASE AWARD RATES OF PAY

The Fair Work Commission has announced a 1.75% increase to minimum wages, over three stages (from the first full pay period on or after 1 July 2020, 1 November 2020 or 1 February 2021, depending on the applicable award). For anyone not covered by an award or enterprise agreement, the new national minimum wage will be \$753.80 per week or \$19.84 per hour, for the first full pay period on or after 1 July 2020. To ensure you continue paying your employees correctly and for more information, please visit the Fair Work Ombudsman website [here](#) or use their [Find My Award tool](#) to check what award rate applies to you or your employees.

CHANGES TO TAX RATES

Compulsory superannuation contributions will stay at 9.5% and employee tax rates for PAYG Withholding remain the same, but there will be an update to study and training support loans tax tables from 1 July 2020, so expect an update to your payroll software.

CHECK EMPLOYEE PAYROLL AND SUPER SETUP FOR 2021

Employers should reconfirm employees' arrangements regarding salary sacrifice and other deductions to ensure they are set up accurately for the coming financial year. It may also be timely to review employment contracts and KPIs.

NEW EMPLOYEES AND TAX FILE DECLARATIONS

Employers now have the ability to download employee tax file number declaration forms directly from the ATO and no longer have to complete carbon copies.

[Tax File Number Declaration Form](#)

SUPERANNUATION CHANGES

The general concessional contributions cap is currently \$25,000 for all ages. This limit includes ALL amounts paid per person for super on which a tax deduction has been claimed, such as SGC, salary sacrifice and additional employer super amounts. It is important for super payments to be made well before the end of June for that financial year as SuperStream payment processes delay when funds actually credit the super fund account. Any credits received by the super fund after 30 June will count towards the following year's cap.

ARE YOU COVERED?

We can arrange quotes for you on a range of insurances including tax audit, public liability, cyber-crime and personal sickness & accident. Contact us to enquire.

WANT BETTER MANAGEMENT OF EMPLOYEE PAYMENT CARDS?

DiviPay provides a system of cardless credit facilities that can be monitored and limits set and managed internally. Access can be issued to employees as required, up to an approved group limit, with allowances per project or employee, approval systems for budgets, and reminders in the app for users to upload receipts. Contact us to enquire further.

WORKERS COMPENSATION

Workers Comp forms are often due at this time of year. Ensure you include wages and superannuation as well as the relevant percentage for your subcontractors. Consider aligning your workers comp year with the financial year (if it isn't already).



TPAR REPORT FOR SUBCONTRACTORS

Businesses in various industries that engage subcontractors need to prepare a Taxable Payments Annual Report for ATO by 28 August 2020. This report includes name, address, ABN and amount paid to each subcontractor. Even with accounting software this can take some time to prepare especially in the first year of lodgement. Please contact me now if you need help with this and have not yet booked in a time with me.

STOCKTAKE

Stocktake should be conducted after close of business on 30 June 2020 so that lost, damaged and obsolete stock can be written off.

ACCRUAL INCOME TAX

Businesses accounting for income tax on an accrual basis should ensure that all bad debts are written off as at 30 June 2020 to maximise their deductions in the current financial year. Stale cheques should also be reviewed if they remain in the bank reconciliation report.

CASH VS ACCRUAL ACCOUNTING

Up to \$10M turnover, your business can nominate to use either a cash accounting or an accrual method to manage the books. If your turnover is higher, you will need to use the accrual method (or if you are close to the threshold, you might want to consider switching sooner). While cash accounting tracks income and expense at the point the money changes hands, accrual accounting can track money that is owed to you, and money you owe others, and is a more complex system. There are pros and cons to each, with plenty of helpful information [here](#).

RECORD KEEPING

As a business owner, good record keeping is important to track performance, meet reporting responsibilities, and access finance, and a number of records need to be retained for multiple years after they are made, after the transaction is complete, or after the

relevant financial year has come to a close. [Australian Securities and Investment Commission \(ASIC\)](#) and the [Fair Work Ombudsman \(FWO\)](#) require documents to be kept for at least 7 years, while the [Australian Tax Office \(ATO\)](#) requires documents be kept at least 5 years, but in some cases longer, such as when assets are depreciated over time. Read the full article [here](#).

CAR LOG BOOKS

Log books for non-commercial vehicles such as sedans and SUVs should be checked to ensure they meet the substantiation requirements, which generally means a logbook for 13 weeks every 5 years, tracking all the expenditure separately to commercial vehicle expenditure and taking odometer readings on 31 March and 30 June each year.

CLAIMING DIESEL REBATE?

Fuel tax credit rates change from time to time. We suggest you use the [ATO calculator](#) to ensure you claim the correct amount.

SHOULD YOU BE REGISTERED FOR PAYROLL TAX?

The threshold in NSW for combined wages and super including subcontractors who are deemed employees is \$900,000 for 2019/20 and \$1M for 2020/21. If you're liable for payroll tax, register now. For more information, click [here](#).

CHECK WHO IS SUBCONTRACTING TO YOU

We recommend you carefully review the credentials of your subcontractors. If they are Pty Ltd companies they should have workers compensation and public liability insurance policies. If they are not companies with more than 1 employee they could be “deemed employees” and you may be liable to pay workers compensation, payroll tax and superannuation on their behalf, depending on various factors.

In certain situations, a contractor may need to be paid super like an employee. If you engage contractors it is important you familiarise yourself with the [rules](#) on super and super guarantee.

Payments to contractors can also be liable for payroll tax in some cases. Click [here](#) for more information.

CASUAL vs ONGOING

There are some big differences when it comes to casual and part or full-time staff. Should you ever need to make a decision on what role would be suitable for an employee, the following [fact sheet](#) provides all the relevant information.

LONG SERVICE LEAVE

Are you in either the contract cleaning or building/construction industry? There are schemes in place through [Long Service Corporation NSW](#) for eligible workers to receive long

service leave benefits. Check [here](#) for more information and see if you or your employees need to be registered.

ACCOUNT-BASED PENSION

People with an account-based pension within their superannuation must withdraw the minimum annual amount by 30 June 2020. For more advice, please contact your superannuation adviser.

INVESTMENT STRATEGY REVIEW

It is time to review your SMSF Investment Strategy document to ensure it still reflects your profit plan.

COMMERCIAL DISPUTES

If you are having a commercial dispute with a customer or supplier and would benefit from a free initial legal consultation with a lawyer from Slater & Gordon, please let us know and we can arrange this for you.

NOT-FOR-PROFIT AND CHARITIES

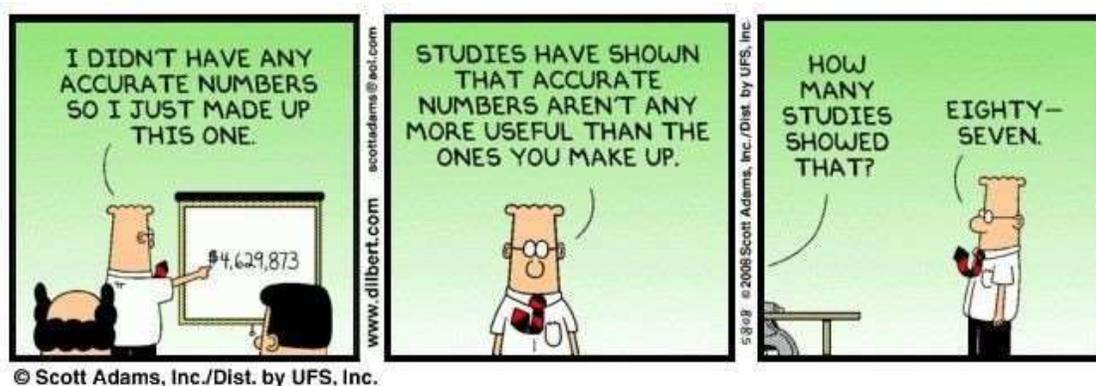
Non-profits should report to ACNC by 31 December. Further information is available from the Australian Charities and Not-for-profits Commissions at www.acnc.gov.au

Could you be liable for the debts of your company?

In some circumstances, directors of a company may become liable for the debts of a company when certain duties are breached. A director has specific duties under both common law and the Corporations Act 2001 (Cth). Read the full [article](#).

How does your business stack up?

Did you know that the ATO collects and collates information about small businesses in order to create benchmarks? This makes it quick and easy for small businesses to compare their own operations with industry benchmarks. Find out more [here](#).



Contact Us

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