

## Newsletter – Issue 19, June 2014

### Contents

- 2014 Budget Summary
- SuperStreaming
- ATO Hit List
- ATO enhancing 3<sup>rd</sup> party reporting
- Are you solvent?

**REVERSE SIDE – End of Year Business Checklist**

### 2014 Budget Summary

Major implications of the **PROPOSED** Federal Government's May 2014 Budget are:-

- The Carbon and Mining taxes are to be abolished
- Temporary Budget Repair Levy of 2% on individuals taxable income in excess of \$180,000 from 1 July 2014 to 30 June 2017
- Cutting the company tax rate for companies with a turnover under \$2m from 30% to 28.5% from 1 July 2015
- The FBT rate will increase from 47% to 49% from 1 April 2015 to 31 March 2017
- Bi-annual indexing the fuel excise from 1 August 2014
- By 2035 you will need to be 70 years old to qualify for the Aged Pension
- Businesses that employ an over 50 year old that has been on benefits for 6 months will receive \$10,000
- From 1 July 2016 higher education providers can set their own tuition fees
- From 1 July 2015 previously bulked billed patients will pay \$7 for a standard GP consultation
- Family Tax Benefit Part B income threshold reduces from \$150,000 to \$100,000 on 1 July 2015
- The paid parental leave scheme is to commence from 1 July 2015

### SuperStream Reporting

The tax office requires employers to make superannuation contributions electronically from 1 July 2014 for employers with over 20 employees and from 1 July 2015 for employers with less than 20 employees.

### ATO 2014 Hit List

In 2014 the tax office is focusing on the following type of work-related claims instead of the usual occupation type:-

- Claims for computer, mobile phone and other electronic devices
- Claims for work-related travel expenses

### ATO enhancing 3<sup>rd</sup> party reporting, pre-filing & data matching

From 1 July 2014 the tax office will expand its 3<sup>rd</sup> party reporting regime to include:

- Sale of real property
- Sales of shares and units in unit trust
- Sales through merchant debit and credit services
- Taxable government grants & other payments

### Is your business solvent?

If you answer YES to any of the following you should take immediate action to correct the solvency of your business:-

- Is the business experiencing cashflow difficulties?
- Are you not paying statutory commitments when due (BAS, Compulsory Superannuation, Payroll Tax & Income Tax)?
- Are your cheques being returned dishonoured?
- Are you holding back cheques or issuing post-dated cheques?
- Has the business a history of trading losses?
- Are creditors not being paid within payment terms?
- Have suppliers placed you on cash-on-delivery?
- Creditors require special payments on existing debts before supplying further goods or supplies?
- You are experiencing difficulties selling stock or collecting debts?
- You cannot obtain further finance?
- Have you defaulted on a finance agreement?
- Are employees concerned of the business meeting its financial obligations?
- Legal action has been taken to collect business debts?

Continuing to trade whilst insolvent has serious consequences, e.g. company directors become personally liable for company debts incurred while trading insolvent.

## End of Financial Year Business Checklist

The following checklist will assist businesses with their end of financial year tax and accounting procedures.

- Ensure that BAS lodgements and super guarantee (SG) contributions are accurate and up-to-date. If your business is behind on its statutory payments ensure that you comply with the payment arrangement you have entered into with the ATO.
- Updating your payroll system for the following changes that apply **from 1 July 2014**:
  - Increase in the Medicare Levy from 1.5% to 2%.
  - Increase in the Superannuation Guarantee rate from 9.25% to 9.5%.
  - Introduction of the 2% Temporary Budget Repair Levy (applies for 3 years) for individuals with taxable incomes above \$180,000. This effectively increases the top marginal tax rate to 47%.
- Reconcile payroll (between BAS returns, ledgers and payroll systems) then provide 2014 PAYG Payment Summaries to your employees **by Monday 14 July 2014**.  
Ensure your 2014 PAYG Payment Summary Statement is lodged with the ATO **by Thursday 14 August 2014**. Any salary sacrificed superannuation contributions and certain reportable fringe benefits need to be included in employees PAYG Payment Summaries. Note, penalties may be imposed by the ATO where these and other documents are not lodged on time.
- If you are in the Building & Construction industry and pay contractors for building and construction services, you need to report those payments to the ATO on the "Taxable Payments Annual Report" **by 21 July 2014**.
- Back up your data file prior to rollover and ensure compliance with record-keeping requirements. The ATO requires businesses to keep records for at least five years.
- Review the GST codes assigned to Profit & Loss and Balance Sheet items to ensure they are correct so that you are lodging accurate BAS returns.
- Where your business carries stock, your stocktake of inventory should have been completed by 30 June 2014. Any unders/overs of stock quantities and spoilage identified from the stocktake process should be adjusted in the stock module/value as at 30 June 2014 to ensure it is reflected in the 2014 accounts.
- You should review the business's listing/depreciation schedule of Plant & Equipment as at 30 June 2014. Any adjustments to correct/reflect descriptions, sold items, new items or scrapped/damaged/obsolete items need to be recorded and provided to your accountant.
- Review your Profit & Loss and Balance Sheet Statements/ Trial Balance to confirm:
  - All income, including cash sales, has been recorded.
  - Wages in your Profit & Loss agrees to your PAYG Payment Summaries and BAS returns.
  - Balances at 30 June in clearing accounts are correct (e.g. Cash Drawer, Eftpos Clearing, Till Unders/Overs).
  - Bank accounts and loans are reconciled.
  - GST and PAYG withholding accounts reconcile to the June BAS.
  - Receivables(Trade Debtors) and Payables (Trade Creditors) subsidiary ledgers reconcile to the general ledger.
  - Capital items, such as Plant & Equipment purchases, have not been expensed as repairs.
  - Amounts in suspense have been allocated to the appropriate account.
  - Personal expenses have not been claimed as business expenses.
  - Material differences to the prior year can be properly explained.
- Where your accountant completes the Annual Financial Statements on their system, ensure that you have processed the Adjusting Journals so that your general ledger agrees to the accountant's as at 30 June.

### **Improving your 2015 performance**

The following procedures should improve your 2015 performance.

- Preparing/updating your business plan - provides forward direction for the business.
- Update Profit & Loss and Cash Flow Budgets for the next 12 months and then compare actual monthly results to these forecasts. This allows for timely pro-active action and to arrange credit facilities for predicted cash shortages.
- Review financing arrangements and don't be afraid to shop around for a better deal.
- Review insurances to ensure you have an adequate level of coverage.
- Reduce costs in areas identified as excessive/not necessary/of no benefit in the current year.
- Implement new internal control systems to address weaknesses identified.