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Practice News

The team at M G Arthur & Associates wishes you

Merry Christmas & Prosperous New Year 2014

Our office will be closed from Friday the 20th of December 2013 and we will reconvene on Monday the 6th of January 2014.

For further information please write to admin@mgarthur.com.au

NEWS POINT

ACT NOW OR LOOSE OUT

Excited about tax benefits from an upcoming business equipment or motor vehicle purchase? Act now or loose out. The new government is proposing to scrap the instant write off of assets costing less than \$6,500 and the immediate motor vehicle write-off of \$5,000 from **1 January 2014**.

The story behind it – The current government's repeal of the Minerals Resource Rent Tax (MRRT) makes it clear that some small business tax concessions put in place by the former government would be wound back too. Currently, the repeal of the MRRT has passed the house of the representatives and awaiting clearance from Senate. After 1 January 2014, amended legislation may:

- Reduce the \$6,500 threshold to the previous amount of \$1,000 so that assets exceeding the \$1,000 threshold will be allocated to the small business general pool for depreciation claim
- Repeal the special immediate deduction of \$5,000 on the motor vehicle purchased by a small business for business use. The motor vehicle will be depreciated by small business in the same manner as other depreciable assets.

You may thus want to bring forward your capital asset purchase. However, be forewarned that mere execution of a contract to acquire an item would not be sufficient. The asset must be 'first used' or 'installed ready for use' before 1 January 2014 for making the claim.

ATO AT YOUR HEALS

It is no secret that in recent few years, ATO has been very active on checking employer superannuation obligations for business tax payers. With array of case victories under their belt, they have added PAYG Withholding, Contractor obligations and FBT to this area of review. Here we are sharing our experience and knowledge so you can check your affairs and ensure you are not caught on the wrong foot.

Pay as you go (PAYG) withholding - You are required to withhold appropriate PAYG from salary and wages paid to your employees. This includes any allowances, bonus, commission or other form of remuneration. ATO can go back 5 years to check your records and charge a minimum penalty of 100% of shortfall for failure to withhold. You also need to ensure you have proper wage records and TFN declaration forms.

Superannuation Guarantee (SG) - You are required to pay appropriate SG on Ordinary Time Earnings (OTE) paid to your employees. The definition of OTE is wide and encompasses almost all cash benefits you pay to your employees including salary and wages, bonus, commission, leave pay, holiday pay etc.

Critically, SG needs to be paid within 28 days after the end of the quarter. Any late payments are not tax deductible. You would be required to do a Superannuation Guarantee Charge (SGC) for non payments which includes admin fee, interest and penalties up to 200% of shortfall.

You also need to ensure you have proper Super Choice forms completed and complied with. Penalty of \$500 per employee may apply.

Contractor Obligations - Just because someone comes to you with an ABN does not mean you are free from your employer obligations. You need to assess whether that individual is a 'deemed employee' under various tax obligations. As a thumb rule, if an individual under ABN works for you, he is a deemed employee unless he is running a business using his own resources and goodwill. Penalties as above apply. It is important that you assess this area closely and seek help from Ato's online tool www.ato.gov.au/employeecontractoressentials.

Fringe Benefit Tax (FBT). Your business is liable to pay FBT for any benefits provided to your employees (including you and your family members). These include motor vehicles, entertainment, travel, purchase of personal items etc. FBT can be as high as \$96 for each \$100 spent. Thus it is critical that you assess any personal expenses claimed in business, and ensure you are not caught up by this draconian tax.

FBT audits can go back 6 years and be subject to substantial penalties.

Workers compensation - If you pay more than \$7,500 in wages a year, you are required to hold a valid workers compensation insurance cover. Wages definition is again very broad and includes deemed employees, contractors, allowances, bonuses and the like. Workers Comp audits can go back 4 years and be subject to substantial penalties.

Payroll Tax - If your total salary bill, including deemed employees, contractors, allowances and the like exceeds the annual payroll tax threshold, you may be up for State Payroll Tax (currently NSW charges 5.45% above \$750,000). Payroll tax applies on a group, jointly and severally. Thus if multiple entities have common employees, directors, shareholders or even suppliers and customers, you could be treated as grouped. Again huge penalties apply for non disclosure.

Work rights - If the above was not enough, you are also required to ensure your employees and deemed employees (contractors) have the right working visa in Australia. Failure to do so can result in huge penalties by Australian Immigration Department.

TIP!

We can help. If you think any aspect of the above may apply to you, it is pertinent that you act fast. Penalties and interest can be largely reduced if you act before an audit is started. We can do a risk assessment on your business to identify gaps and possible exposure. Remember, a stitch in time saves nine!.

Your FBT this holiday season

	Expense Type	FBT Payable (FBT = \$96 for \$100 spent)	Tax Deduct ible
For your Employees			
A	Christmas Parties		
I	Held at work place during work hours	No	No
li	Held off work premises -Amount spent per person < \$300 -Amount spent per person > \$300 (FBT is payable on the full amount)	No Yes	No Yes
B	Gift Hampers		
i	Entertainment (movie tickets/ amusement park/ sporting events etc)	Yes	Yes
ii	Hampers/ gift items -Per person < \$300 -Per person > \$300 (FBT is payable on the full amount)	No Yes	Yes Yes
For your Client			
	Entertainment / Parties	No	No
	Gift Hampers	No	Yes

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