



Small Business Restructure Roll-Over Relief

Effective 1 July 2016, the Government has implemented new laws that are designed to make it easier for small business to restructure. Broadly, this will enable small business to:

- Defer gains or losses that would otherwise be realised when business assets are transferred from one entity to another.
- Provide small businesses with a new roll-over; the flexibility to change their legal structure without realising an income tax liability upon the transfer of their business assets.
- The roll-over can be used for gains and losses arising from the transfer of active assets that are CGT assets, trading stock, revenue assets and/or depreciating assets between entities as part of a genuine restructure of an ongoing business.

- Applies to transfers that do not result in a change in the ultimate economic ownership of the assets.

- Is in addition to roll-overs currently available where an individual, trustee or partner in a partnership transfers assets to, or creates assets in, a company in the course of restructuring their business.

At this stage these changes only apply to small businesses with a turnover of less than \$2 million who also meet the residency requirement.

If you have any questions in relation to the small business restructure roll-over relief or think it may apply to your situation please do not hesitate to contact one of our team members.



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Please Remember

by necessity the contents of this newsletter are summary only.

Clients should contact us on 6431 3933 to discuss matters prior to acting.



ATO Small Business Benchmarks

ATO Small Business Benchmarks are financial ratios that help guide businesses to compare their performance within their industry and against other similar businesses. There are benchmarks for more than 100 industries, which account for different turnover ranges, due to factors such as the business circumstances and location.

Benchmarks are updated annually and are calculated using information that is reported to the ATO through business income tax returns and activity statements. There are two types of benchmarks for the small business sector: performance benchmarks and input

benchmarks. Performance benchmarks use several ratios to calculate information in relation to a business's turnover. Once the benchmarks are calculated a business can identify if they are above or below the range of business turnover in their industry. They can also determine whether they need to make adjustments to costs and expenses to improve business performance.

While Input benchmarks identify the expected range of income for tradespeople based on the labour and materials used in undertaking a project. These are developed from information provided by industry participants and

trade associations. Input benchmarks can help in; comparing a business to the industries benchmark range, estimating turnover based on materials and labour used and, to check that records accurately reflect a business's income.

Although benchmarks are a useful source of calculating information for small businesses they also provide useful information to the ATO. When businesses are outside of the benchmarks it may indicate to the ATO that something may be unusual and it could prompt the ATO to ask for further information.

Changes to Fuel Tax Credit Calculations

From March 2016 quarter onwards, there is a new simplified way to claim fuel tax credits when claiming less than \$10,000 per annum. You will not only be able to use the rate that applies at the end of the BAS period but also work out the litres based on the cost of the fuel purchased. You can choose to use either or both of these methods that best suits your needs and change at any time.

If there is a rate change within a quarter you no longer need to split your fuel purchases and use the two rates. You are now able to calculate your fuel tax credit claim by just using the rate that applies at the end of the period. Simply total your litres for the period and use the rate that is current on the last day of the BAS period to work out your claim.

Also if you currently use certain heavy vehicles (harvester, tractor, excavator, etc.) mainly off public roads or plan to in the future, you no longer need to apportion on and off-road travel when calculating your fuel tax credit claim. You now can claim all your fuel at the 'all other business uses' rate.

To receive more information on fuel tax credits, you can head to:

www.ato.gov.au/business/fuel-schemes/fuel-tax-credits---business or contact our office.

Tax Planning

If your business has had a profitable year, it would be wise to do some tax planning prior to June 30. Broadly, tax planning is the process of organising the affairs of a taxpayer or a group of taxpayers so that, as far as legally or commercially possible, the tax liability of the taxpayer or group of taxpayers is minimised. The ways in which your particular business can minimise its income tax obligations will largely depend upon whether your business is eligible for the Small Business Tax Concessions (turnover less than \$2 million excluding GST).

Listed below are some suggestions on how to minimise your income tax. We strongly recommend that before you implement any of these strategies, that you contact our office first, to discuss your particular situation.

To defer income, businesses can postpone customer billing until after 30 June. Businesses not claiming the small business concessions may also defer asset (plant) sales until after 30 June.

If your business is eligible for the Small Business Tax Concessions you may also want to consider:

- Purchasing plant and equipment costing less than \$20,000 as the total

can be claimed instantly (this is in effect until 30/06/2017)

- Expenses that are likely to be incurred over coming months can be prepaid (up to 12 months). Review your expenditure and where possible bring forward to the current financial year and gain the tax advantage.

- If you are leasing equipment up to 12 months of lease instalments can be paid prior to 30 June and claimed as a deduction.

- Businesses can also get a 15% tax deduction for new plant costing more than \$20,000 purchased prior to 30 June.

Primary Producers can make deposits with most major banks into a designated Farm Management Deposit prior to 30 June and the deposit will be treated as a tax deduction. The funds must be invested for at least 12 months and the minimum deposit is \$1,000, with the maximum balance of the FMD \$400,000. Deductibility is also limited to taxpayers with income from non-primary production of less than \$100,000. The withdrawals are treated as assessable income in the year the withdrawal is made.

If you have the funds and Cashflow to support it, look at bringing forward

any items that require major repairs or services prior to 30 June. Please be careful to ensure that the repair is not classified as a capital improvement though.

Deductions can also be claimed for contributions to Superannuation for self employed persons made prior to June 30. Although, please be aware the contributions will be taxed at 15% within the fund. There are contribution caps and other rules that apply, so like any of our suggestions, it is best to contact our office first to discuss before putting any plan in place.

In general the concessional contributions cap for the 2015/16 year has remained at \$30,000. For those aged 49 or over on 30 June 2015, their contributions cap is \$35,000.

It is also important to note that bringing forward tax deductions or deferring income to a later year will of course affect the next year. This may have an adverse effect if you defer too much to the following year. To determine the most tax effective strategy, it is best that you speak to us and we can assist in determining your estimated 2016 taxable income and hence estimated tax.

Other Tax Points to remember for 2015/16 tax:

- Individual tax offset (small business tax discount) available of 5% (capped at \$1,000) for tax payable on business income earned from a small business entity (SBE) (ie. an entity with aggregated turnover of less than \$2 million).
- Small Business (aggregated turnover under \$2M) Companies tax rate 28.5% for 2016. All other companies, tax rate remains at 30%.
- Dividends from SBE companies can still be franked at maximum 30%, provided franking account balances allow.
- Immediate deduction still available for assets purchased by SBE's costing less than \$20,000
- Methods for car deductions have changed; only cents per kilometre method and logbook method are available.
- Cents per km method is now a flat rate of 66c/litre (previously different rates were available for the size of your engine)
- We suggest keeping all receipts and maintaining a logbook for the required 12 week period in order to substantiate and increase your claim.
- Primary producers, regardless of being a SBE or not are entitled to immediate deductions for expenditure relating to water conservation (ie. dams, tanks, irrigation channels pumps etc.)
- Primary producers are also entitled to deduct fodder storage assets over a three year period (fodder storage assets include silos and tanks used to store gran, as well as hay barns)
- Fencing costs can also be immediately deducted by primary producers.



Employment Wage Subsidies

A wage subsidy is a financial incentive to encourage businesses to employ eligible job seekers. Wage subsidies are payments made to employers to help cover the costs of wages and training in the first few months of employment. Wage subsidies can help employers to expand their business and employ new staff, which will help boost the economy and create more jobs.

The following wage subsidies are available if you employ:

- A job seeker 50 years or over: up to \$10,000 (GST inclusive)
- A job seeker under 30 years of age: up to \$6,500 (GST inclusive)
- A job seeker who is a parent: up to \$6,500 (GST inclusive)

- A long-term unemployed job seeker (12 months) and an Indigenous job seeker (six months): up to \$6,500 (GST inclusive)

To be eligible for a wage subsidy, your business must:

- Be a legal entity with an Australian Business Number
- Have not previously received a wage subsidy of the same type for the same job seeker
- not be an Australian, State or Territory government agency.

The new employee must work for a minimum of 15 hours a week and the work must be ongoing to be eligible for a wage subsidy,

It is important to note that by definition

a job seeker is a person who is with a Jobactive or Transition to Work Provider. In the case for a job seeker over 50 this also includes a Disability Employment Services provider and Community Development Programme provider.

To apply for a wage subsidy, contact a local Jobactive or Disability Employment Services or Community Development Programme provider. You can find your local provider by calling the Employer Hotline on 13 17 15 or through the provider search on the Jobactive website (www.jobsearch.gov.au).

To ensure you do not miss out on the wage subsidy, you need to contact a provider within 28 days of employing the job seeker and complete the application process for the relevant wage subsidy.





Xero – Tips and Tricks

For some of you, Xero would be a software option that you have heard a lot about in recent times. For a lot of our clients in rural areas, their internet connections are poor; therefore Xero may not be an option for them. Xero runs solely in an internet browser. On the upside, if you have good internet connection then it may be a great option for you. If you are already using Xero, then these shortcuts may quicken up your day.

In most windows of Xero, by pressing the forward slash (/) on your keyboard will bring up the search window. From here, you can navigate to different windows in Xero by entering the following key:

Shortcut Key	
c	All Contacts
i	All Invoices
b	All bills
q	All quotes
p	All purchase orders
a	All bank accounts

From here you will also see the option to quickly move to 'add new'.

In the same search window you can instead search for transactions or contacts as follows:

- Search for contacts by entering contact name, first or last names
- Search for transactions by entering one of the following
 - Reference
 - Invoice number
 - Contact name
 - Account name
 - Bank account name
 - Tracking category or item name

There are also specific search windows in each of the sales, purchases and account transactions screens.

Shortcuts are also available in 'date' fields. For example by entering 't' in the date field will enter today's date, then if you wanted the due date of an invoice to be thirty days from the date of the invoice you can enter '+30' in the due date field.

Bank Transactions and Reconciling

Whilst Xero's bank feed functionality can cut down time in data entry, it is most important that you check Xero has matched the transactions correctly, before clicking ok. It is not a mind reader. Be careful too to distinguish between matching a payment to an invoice or matching to a payment that has already been entered in Xero. Watch for date discrepancies.

This is just a snapshot, further shortcuts can be found through Xero's help centre.

Travel, Meals & Accommodation

A common question we are often asked (especially during tax time) is the deductibility of travel, meals and accommodation away from home.

As a general rule, meal and accommodation expenses incurred while away from home cannot be deducted unless they are incurred as part of the following:

- Self-education expenses: If you are studying a course that is tax deductible and have incurred meal and accommodation expenses then you will be able to claim these as a deduction in

your tax return.

- Overtime meal allowances: If you are paid an overtime meal allowance, you can claim a deduction without substantiation up to the reasonable cost of overtime meals in accordance with the ATO (\$28.80 per day of overtime worked). However if you claim a deduction greater than the reasonable amount in accordance with the ATO then substantiation will be required to support the entire claim not just the difference between the total and the reasonable amount.

- Travel in the course of work/business: If you have incurred travel expenses in the course of work or in traveling between one place of business to another then these expenses will be deductible - for example motor vehicle expenses, air, bus, train or taxi fares, car rental costs etc. If your travel involves an overnight stay then you will also be able to claim accommodation and meals expenses incurred in the course of travel.



Claiming Phone & Internet Expenses

If you use your own phone(s) or internet for work purposes, you may be able to claim a deduction if you paid for these costs and have records to support your claims. If you use your phone(s) or internet for both work and private use, you will need to work out the percentage that reasonably relates to your work use.

To do this you need to keep records for a 4-week representative period in each income year to claim a deduction of more than \$50. This may include diary

entries, including electronic records, and bills. Evidence that your employer expects you to work at home or make some work-related calls will also help you demonstrate that you are entitled to a deduction.

If your employer provides you with a phone for work use and is billed for the usage, then you are not able to claim a deduction. If your work use is incidental and you are not claiming a deduction of more than \$50, you may make a claim based on the following, without having

to analyse your bills:

- \$0.25 for work calls made from your landline
- \$0.75 for work calls made from your mobile
- \$0.10 for text messages sent from your mobile

We understand the ATO is cracking down on this, this year. Therefore if you plan to claim more than \$50 in phone or internet bills, you need to keep the required substantiation.

Do you require any further information from this edition?

Simply tick which of the items interest you and we will be pleased to send you further information

- ☐ ATO Small Business Benchmarks
- ☐ Tax Planning
- ☐ Other Tax Points to remember:
- ☐ 2016 Federal Budget

- ☐ Employment Wage Subsidies
- ☐ Xero Tips & Tricks
- ☐ Travel, Meals & Accommodation
- ☐ Claiming Phone & Internet Expenses

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