

## Tax Planning

Has your business had a profitable year? It may be wise to contact us regarding tax planning opportunities prior to June 30.

Tax planning involves legally reducing the amount of tax you have to pay for the current income year. 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 \$10 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, you contact our office first, to discuss your particular situation.

To defer income, businesses can possibly 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 \$30,000 as the total can be claimed instantly (this is in effect until 30/06/2020)
- 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 \$30,000 purchased prior to 30 June.

All businesses should also review their debtors and write off any bad debts before 30th June 2019. You may also want to consider if you wish to make any donations to a Deductible Gift Recipient

(DGR) prior to 30 June in order to claim as a tax deduction.

If you are a Primary Producer, you may also:

- An individual may use Farm Management Deposits (FMDs) - a particular bank account where you deposit minimum of \$1,000. The maximum account balance is \$800,000. You are able to claim a deduction for the deposit, provided you meet other eligibility criteria (ie. Non-Primary Production Income less than \$100,000 is one of these). The funds must be invested for at least 12 months. The withdrawal will then be treated as assessable income in the year withdrawn.
- Build/Buy water conservation assets (ie. dams, tanks, irrigation channels pumps etc. - An immediate deduction is available.
- Construct fodder storage assets - An immediate deduction is available (this includes barns & silos used to store grain).
- Renew fencing. Fencing costs including new fences can also be immediately deducted.

If cash flow allows, anyone in business may wish to bring forward repairs or major services that need doing. However, please understand that certain things may in fact be capital improvements, and would therefore not allow an immediate expense deduction.

If cash flow allows, individuals may claim a tax deduction for personal superannuation contributions. Please be aware, that any contributions deducted will be taxed at 15% within the fund and the maximum concessional contribution is generally \$25,000. There are other rules surrounding this also.

Overall, it is 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 2019 taxable income and hence estimated tax.

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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.



# Continued focus on the cash economy

ATO Assistant Commissioner Peter Holt has announced that, in the 2019/20 financial year, the ATO will be visiting a further 10,000 small businesses across the country, including up to 500 small businesses in Tasmania.

He further said that businesses that advertise as 'cash only' and businesses that are operating outside of the ATO's performance benchmarks for their industry will be especially targeted for a visit from the ATO.

"Businesses that pay cash in hand, or fail to lodge income tax or business activity statements, get an unfair advantage and make it harder for other businesses who are doing the right thing. By detecting and addressing this behaviour, we're helping ensure a level playing field for honest small businesses."

Businesses in the following industries are more likely to get a visit from the ATO:

- Restaurants and cafes;
- Vehicle repairers;
- Personal care businesses including hairdressers and nail salons;
- Pharmacies;
- Construction businesses;
- Clothing stores;
- Grocery stores / small supermarkets; and
- Butchers.

Whilst on the road, ATO officers will also be available to help those businesses that are trying to do the right thing.

Mr Holt said the ATO will not hesitate to take strong enforcement action against those deliberately avoiding their tax and super obligations and the visits may uncover this deliberate non-compliance.

"If businesses know they have made mistakes we encourage them to let us know and work with us or their tax professional."



## Cancellation of Insurance on Inactive Accounts

From 1 July 2019, as part of the Protecting Your Superannuation Package legislation, super funds will cancel insurance on accounts that haven't received contributions for at least 16 months.

The new laws are aimed at assisting people who have multiple low-balance accounts which are no longer receiving

contributions, but have premiums for defaults insurance continuing to reduce the account balance.

Your fund will contact you if your insurance is about to end. If you want to keep the insurance, you must notify your super fund or make a contribution to that account.

# Tax Changes affecting 2019 Financial Year

We wish to highlight below some of the changes that affect the 2019 financial year. Some of these stem from announcements made in the 2018-19 budget and these have been passed as law.

## Individual Tax Payers

### 1. Introduction of a new low and middle income tax offset (LMITO)

If your income is less than \$125,333 you will be entitled to LMITO. The amount of the offset is then dependent on the level of your income.

Income	Tax Offset
Less than \$37,000	\$200
Between \$37,000 & \$48,000	\$200 + 3% of the income that exceeds \$37,000
Between \$48,000 & \$90,000	\$530 (maximum)
Between \$90,000 & \$125,333	\$530 less 1.5% of the income that exceeds \$90,000

Please note the low income tax offset also remains.

### 2. Change to the top threshold of the 32.5% tax bracket

The top threshold increases in 2019 from \$87,000 to \$90,000 for the 32.5% tax bracket. This will mean a tax saving of \$135 for anyone earning over \$90,000.

## Businesses

### 1. Increase to the small business instant asset write off. There will be three tiers for eligible businesses to consider for the 2019 financial year:

Date Acquired	Threshold ex GST
Up to 29th January 2019	Under \$20,000
From 29th January 2019 to 2nd April 2019	Under \$25,000
From 2nd April 2019 to 30th June 2020	Under \$30,000
From 1st July 2020	Under \$1,000

2. Extension of the taxable payments reporting system. For the 2019 financial year, that business parting in the cleaning services or courier services industries will need to report for the first time. This is in addition to those who operate in the construction industry whom have had to report for a number of years. Please also note that from 1 July 2019, (i.e. the 2020 financial year), security providers, road freight transport and computer system design and related services will also need to report under this system.

### 3. Single Touch payroll reporting for all business who employ from 1 July 2019 (see separate article)

## Fair Work Commission Increases Minimum Rates by 3%

The Fair Work Commission's Minimum Wage Panel has increased Award Minimum Wages by 3%. This increase will take effect from the start of the first full pay period that starts on or after 1st July 2019. It is important that the Base Hourly Rates in Agreements are not less than the Base Hourly Rates in the relevant Modern Award.



# Client Profile - Blue Hills Honey

Blue Hills Honey, located in Mawbanna is a family run business, with honey production having started in the Charles family in 1955, Robbie and Nicola have taken what was once a hobby and continued to grow the family business. The business employs many locals within the office/exports department as well as in the field and production space.

With demand growing both domestically and internationally for their Tasmanian honey, Robbie and Nicola seized the opportunity to add a visitor experience Centre to their site at Mawbanna. They were successful in obtaining a grant through the Australian Government's Regional Jobs and Investment Package (RJIP) for Regional Tasmania and commenced increasing their production capacity as well as the building of the visitor Centre.

The Visitor Centre is now open to the public and includes honey and honey mead tasting, a virtual reality room; where you can experience being a bee, a shop and Leather and Wood Café which is operated by lessee Amber Poke. Being that the Visitor Centre is located on the road that leads to Dip Falls, the site is well positioned to attract tourists to the region, with the hope that they will stay within the North West Coast and support other small businesses.

The team at Elphinstone Stevens recently visited the upgraded site and congratulate Robbie, Nicola and the team at Blue Hills Honey for their vision and wish them every success for the future.



## Reminder - Single Touch Payroll

The start date for employers to begin Single Touch Payroll (STP) reporting is fast approaching. From 1 July 2019 all employers must comply with STP legislation. This requires employers to report tax and superannuation information to the Tax Office electronically each time employees are paid. To comply you will need to use a STP compliant software. Please contact our office to discuss your Single Touch Payroll requirements.

## Staff Profile - Kyle Wescombe

This edition the Team would like to introduce Kyle Wescombe. Kyle joined the team at Elphinstone Stevens in June 2018.

Kyle is currently studying part time at the University of Tasmania in Burnie, completing a Bachelor of Business degree majoring in Accounting.

Outside of work and study Kyle enjoys spending time with his friends and family. He also enjoys watching and playing most sports, keeping himself fit and active through walking and running.

