



Newsletter June 2012

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ATO Key Lodgement Dates

IAS lodgement - May
Due 21 June 2012

Bas Lodgement -
June Quarter
Due 21 August 2012

Important Changes from 1 July 2012

Small Business Concessions

Assets & Depreciation – Changes for Small Business

Check with your Tax Agent if you are included.

What's Changing

No more 'long life' pool for small business

Write off assets immediately if they cost less than \$6500 excl GST

Motor Vehicles have a \$5000 write off in the year acquired plus 15% depreciation in the first year. 2nd year onwards, Motor Vehicles then have 30% depreciation.

Reportable Payments Systems Contractors

BUILDING & CONSTRUCTION INDUSTRY: From 1 July 2012 business in the building & construction industry will be required to report to the ATO, annually all payments to suppliers/subcontractors who provide building services.

Who has to report? A business who has more than 50% of their activity or 50% of their income for the year or the prior year in the building & construction industry, including sole traders/contractors (known as 'purchasers'). If they hire a subcontractor 'supplier' to provide building services the purchaser is required to report the subcontractor payments to the ATO.

EXAMPLES:

(1) An electrical business provides goods & services for various electrical applications. A builder pays the business for the supply & installation of wiring in a commercial fit out that he is managing. As the provision of the installation service is a building & construction activity & more than incidental to the supply of goods, the builder will be required to report the payment it makes to the electrical business.

(2) A paint store provides paint to painters as well as an in-house painting service. For a small additional service fee the store will tint the paint to the colour the painter instructs. As the provision of the tinting service is merely incidental to the supply of the paint, the painter will not be required to report the payment it makes to the paint store.

Please talk to Us regarding these CHANGES

Personal Tax Rate Changes from 1 July 2012

Tax Free Threshold will rise from \$6,000 to \$18,200

1st margin tax rate increase from 15% to 19% on income between \$18,200 to \$37,000

2nd margin tax rate increase from 30% to 32.5% on income between \$37,000 to \$80,000

Federal Budget 2012

Taxation Changes

From 1 July 2012, companies will be able to carry-back up to \$ million worth of losses to get a refund of tax paid in the previous year, and

From 1 July 2013, companies will be able to carry-back up to \$1 million worth of losses against tax paid up to two years earlier.

FBT is changing so there will be no need to drive your car further to reduce the FBT

Superannuation changes

From 1 July 2013, the employer contribution rate increases

What to do if you can't pay your ATO debt?

If you have a tax debt and cannot pay by the due date, you can phone the ATO automated self-help service and apply to:

- make a late payment, or
- pay the debt by instalments over a specified period.

ATO self-help service operates 24 hours a day, seven days a week. Phone:

Business self-help on 13 72 26

Personal self-help on 13 28 65.

More information - You can only use this phone service for debts that are less than \$25,000. What information do I need to use the service?

To use the phone service, you will need to know:

- your tax file number (individual clients) or Australian business number (business clients)
- the amount outstanding
- the frequency of the payment you wish to make
- weekly, fortnightly, monthly or lump sum
- the first payment date. Make certain this date is at least 15 days after your phone call, allowing time for personalised payment slips to be mailed to you.

If you don't know how much you can afford to pay, you can say 'Make a suggestion' and the system will offer an arrangement.

If you do know the amount of each payment you wish to make, you can also make your own arrangement.

Medical Certificates from Employees

What business needs to know!!

If you followed the news over the past month or so you might have seen reports regarding federal MP Craig Thomson. Mr Thomson, who is under investigation by the Fair Work Ombudsman, was absent for more than a week from the Parliament due to illness, but the Opposition wasn't buying it at all. They demanded the MP produce a certificate from his doctor proving that the MP was, indeed, sick. Did they have a right to do this? And more importantly, do employers generally?

The Fair Work Act 2009 makes it clear that an employer is required to provide their employees – both part-time and permanent – with a minimum number of personal/carer's leave days each year. It's worth noting that 'personal/carer's leave' includes sick leave, but also covers absences where the employee needs to take care of a member of their household or immediate family.

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Importantly, the Act also allows an employer to ask their employees to provide 'evidence that would satisfy a reasonable person' that the leave was taken for genuine personal or carer's leave reasons. The most common forms of evidence usually supplied are medical certificates and statutory declarations, both of which are perfectly fine. Some Modern Awards (documents that contain additional, minimum terms of employment in certain industries and occupations) also contain details regarding the type of evidence that employees may provide, so it's worth checking these too.

The Act does not specify whether an employer can ask an employee for a certificate or other evidence each and every time one of their employees is absent. The key here is to be consistent. For example, the employer should have a policy that says all absences need to be covered by a medical certificate or, as an alternative example, a medical certificate is only required if the absence is for two or more days or falls on a Friday or Monday. It's worthwhile noting that if an employee refuses a request to supply evidence, then the employer does not need to pay them while they are away from work.

Employers often ask whether they have to accept a medical certificate as conclusive proof that the employee was actually sick. The simple answer is, yes. If an employee supplies a genuine certificate, the employer is expected to accept it at face value and pay the employee accordingly.

An employer also has no right under the Act to ask the medical practitioner for specific information regarding the employee's illness or injury. As we saw in Federal MP Craig Thomson's case, if the note says the employee has 'tummy troubles', you can't ask for another note that contains a more detailed diagnosis.

The only time an employer should obtain this type of information is if they are concerned the employee is not well enough to safely perform their normal duties. For example, if a note said the employee had a 'sore neck' and the employee's job requires lots of manual labour, it would be wise for the employer to write to the doctor asking for confirmation that the employee is well enough to do their job.

Here is a quick sick note summary or future reference:

The employer has a legal right to ask an employee for evidence supporting their absence.

The employer can ask employees for evidence after each and every absence

If the employee refuses the request, the employer does not need to pay them for the absence

The employer can't demand a detailed diagnosis, but they can (and should) ask for confirmation that the employee is fit to do their job

The employer must accept a genuine medical certificate as conclusive proof of the employee's illness

Employers should introduce a comprehensive workplace policy dealing with absences and evidence requirements



GST for small business.

If GST causes you stress, here are some simple concepts you need to understand, and some strategies for bringing GST for small business under control.

Should you be charging GST?

Businesses generating less than \$75,000 of income per year are exempt from charging GST. But if you have the choice, that doesn't necessarily mean you should avoid collecting GST.

If you're working towards earning more than the threshold, then it's smart to begin with the end in mind. Remember, most of your clients will expect to pay GST. This is particularly important if you're providing products or services to other businesses, who generally don't factor the GST component into their costs, business plans or budgets.

Also consider whether it will be beneficial to claim back the GST in the same quarter in which it is incurred. This applies particularly to soloists whose operating costs are a high percentage of their income. You're able to claim the GST as an operating expense in your tax return, but it won't have the same impact as claiming back all the GST each quarter.

GST and invoices

It's important that your invoices state whether or not they include GST, and if you're charging GST you must issue a Tax Invoice that clearly states the amount of GST it includes. On the other hand, if you're not charging GST you'll need to issue an invoice that clearly states, 'No GST has been charged'.

As A purchaser, when you receive an invoice from a supplier that doesn't charge GST, you need to record it correctly, and make sure that you don't inadvertently over-claim GST. The full amount is your cost.

“One of the most important aspects of successful GST management is to remain aware that the GST you collect is not your money. “

Remember that it's not really your money

One of the most important aspects of successful GST management is to remain aware that the GST you collect is not your money. It belongs to the ATO and is merely in your possession for a short time before you must hand it over.

If you're not careful, collecting GST can cause problems for your cash flow, so I highly recommend that you create a separate bank account and regularly siphon off the GST you've collected into it. Whether you do it daily or weekly, put 10% of the funds that come into your business into that account.

My clients who do this never have BAS payment issues. There are numerous high interest accounts that are easy to set up and many don't charge any fees. Stash the GST in one of them, and not only will you have the cash in the bank to pay your BAS, but you'll even earn interest on it. If you have employees, stash the PAYG tax into that account as well.