

This edition brought to you by

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The financial news your business needs.

Summer 2015

BUSINESS Bulletin

Super & Business Owners

By contributing to superannuation you can not only provide for your retirement but also enjoy concessional tax treatment whereby:

- ⇒ Investment earnings (such as dividends, interest, rent etc.) are taxed at just 15% (or 0% if your account is in pension mode)
- ⇒ Capital gains (on the sale of shares, property etc. held by your fund) are taxed at just 15% (or 10% if the asset is held for 12 months or more).

By contrast, earnings outside superannuation are taxed at your marginal tax rate. Unless you earn below \$18 200, your marginal tax rate will always be higher than the highest superannuation rate of tax (generally 15%). This means that the tax imposed on your investment earnings inside superannuation will always be less than the tax imposed on these earnings outside superannuation (unless you earn less than \$18 200).

The good news is that the tax system encourages business owners to make contributions to the concessional tax superannuation environment in at least two respects:

Income Tax Deduction

By contributing to superannuation as a business owner, you can not only provide for your retirement, but you may be able to reduce your income tax. Generally speaking, unless you are an employee of your business (e.g. company director or employed by your trust) you will likely be able to claim a tax deduction for the full amount of your personal after-tax contributions to superannuation.

10%

Rule

Specifically, you can claim a tax deduction for the entire amount of your contribution if less than 10% of your



Reminder Dates

December **21**

Due date for November monthly Activity Statements

January **21**

Due date for December monthly Activity Statements

January **28**

Due date for quarterly Superannuation Guarantee contributions

February **21**

Due date for January monthly Activity Statements

February **28**

Due date for quarterly (Oct-Dec) Activity Statements

(a) assessable income (b) your reportable fringe benefits and (c) your reportable employer contributions for the year is from being an employee. Therefore, for those of you not employed by your business (e.g. sole traders), this is a strategy worth considering. Having made the deductible contribution, you must notify your fund of your intent to claim a deduction before you lodge your tax return! For those of you employed by your own company or trust (and failing the 10% Rule); that entity may contribute on your behalf and claim an income tax deduction.

Business Sale Proceeds



Small business owners that sell their businesses may be eligible for generous capital gains tax relief. One of those capital gains tax breaks occurs when an amount is contributed to superannuation.

When it comes time to sell your business or even part of your business, small business owners have a unique opportunity to build up their retirement savings. The sale proceeds of your business (or part thereof) may in certain circumstances be contributed to superannuation without counting against your standard contribution limits.

A \$540 000 non-concessional three-year contribution cap exists. If you sell your business and like many business owners seek to contribute the proceeds to superannuation, the non-concessional cap is often insufficient. Even where the \$540 000 three-year cap is able to accommodate your desired level of contribution, your ability to make contributions in the subsequent two years may be restricted. For small business owners however, the CGT Cap Amount offers a special concession. Contributions of up to a lifetime limit of \$1.355 million (the CGT Cap Amount) from the disposal of small business assets can be excluded from the non-concessional cap subject to certain conditions.

With the sale proceeds safely inside your fund, you can then enjoy the concessional tax treatment exclusive to the superannuation environment (see earlier).

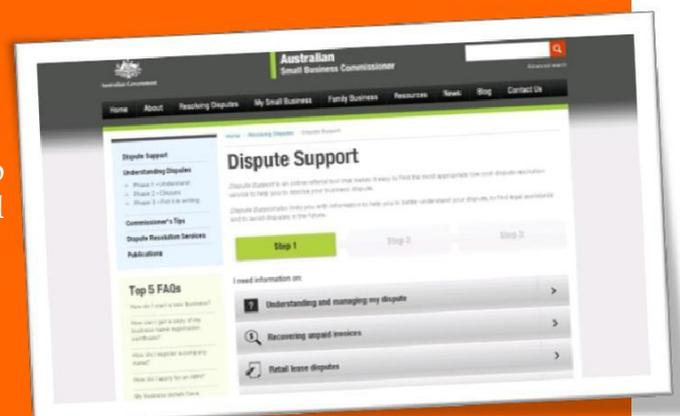
Resolving Disputes

Whether it be with Government, suppliers, landlords or customers, disputes are an uncomfortable but inevitable part of business. The good news is that now there is an interactive tool that can help.

Dispute Support is an online Government sponsored tool that helps you find the most appropriate dispute resolution service to help you resolve your business dispute, no matter its type! Whether it be unpaid invoices, issues with your landlord, or unfair treatment from Government... *Dispute Support* is here to help!

Dispute Support also links you with information to help you to better understand your dispute, find legal assistance, and also to avoid disputes in the future.

Visit www.asbc.gov.au/disputesupport





Year-End reminders

With the Festive Season almost upon us, following are some year-end tax and other reminders as we head into the Summer holidays:

Staff Leave

It's quite common for businesses as a whole to shut down their operations entirely over the Christmas-New Year period and in some cases extending well into January. In this situation, the question arises as to whether staff can be forced into taking annual leave during this shutdown period. The answer is that under the Fair Work Act there are two circumstances where an employee can be directed to take annual leave:

1. The employee has accumulated excess annual leave or
2. The business is closed during slow periods of the year such as Christmas or New Year.

However, under the second of these exceptions an employee can only be directed to take annual leave if their Award or registered employment agreement allows for it (or does not prohibit it). If you are uncertain whether this is the case, visit the Fair Work Australia website www.fairwork.gov.au

Superannuation Guarantee

Although the Tax Office allows an extra month for businesses to lodge their December quarterly

BAS (the due date is 28 February regardless of your method of lodgement) there is no equivalent extension for the payment of Superannuation Guarantee.

Superannuation Guarantee for the October-December quarter (now payable at 9.5% on an employee's Ordinary Time Earnings for the period) is still due 28 days following the end of the quarter i.e. 28 January. Failure to pay on time (even if you are just one day late) will result in you being liable for Superannuation Guarantee Charge. For this reason, if you are closed throughout January, you may wish to consider making the October-December contribution before you close for Christmas.

Notify Suppliers/Customers

Ensure key suppliers/customers are aware of your Christmas shutdown period. An efficient and effective way to do this is to attach a footer to your emails leading up to Christmas such as:

We will be closed from 5:00pm Friday 19 December 2014 and will reopen again on Monday 12 January 2015. We thank you for your support during the year and wish you a safe and happy Festive Season.

Likewise, recorded messages should be left on front office/reception phones advising of the shutdown period (this is easy to overlook in the excitement of the Christmas rush). It's unprofessional and potentially damaging to your business to have a front office/reception phone ringing out, day after day, with no explanation as to why.

Out of Office Email Settings

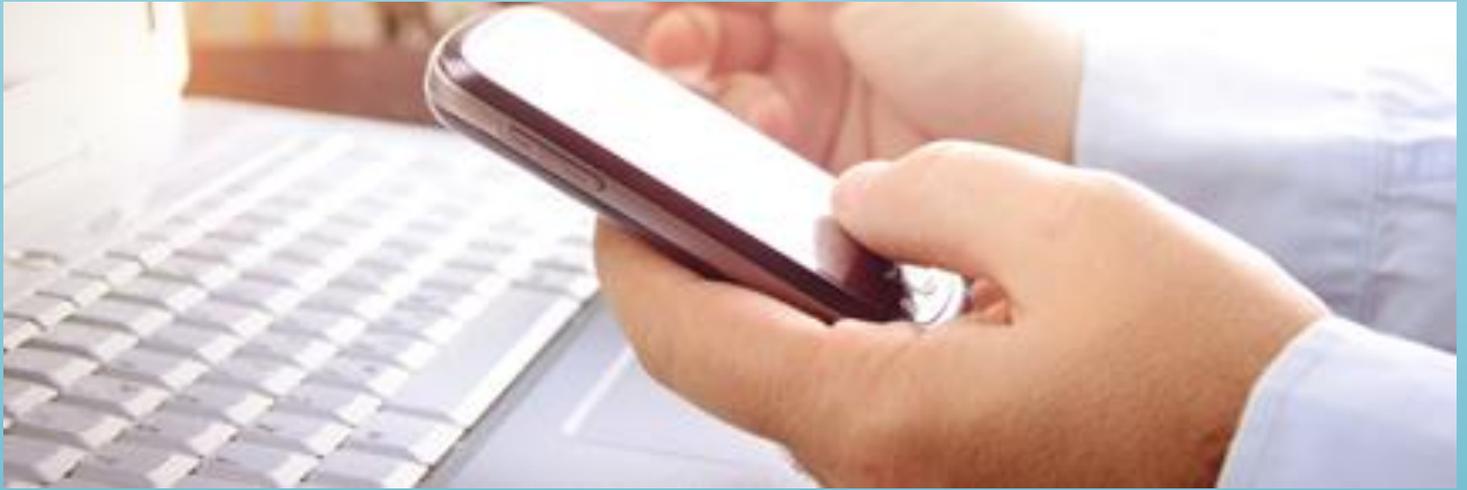
All staff should be instructed to activate the 'out of office' reply function on their emails for the entire period of their Christmas-New Year absence. Given that staff members may be returning from leave on different dates, it's important that each staff member tailors this function to align with the exact dates of their own individual absence.



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Business Information – Use of Software

Businesses that utilise software with online storage of their data should be aware of the 'conditions of use' the software providers publish.

Access to Your Data

It is a common condition of subscription to software that the supplier of that software retains the right to either.

1. Access your specific data for the purpose of review, upgrade or provision of support
2. Use your data as part of aggregated trend analysis (Statistics)

Your software has been established by providing specific access to specified individuals as agreed with you. These individuals are in addition to the access rights retained by the software supplier.

As your professional advisor we will not provide any other person access to your data without your express consent.

Protection of Your Data

Your online software is stored (either entirely or in part or a copy) on the servers of the software supplier. While the software supplier has invested significant money and resources in providing security of that data and provided for protection from loss of any data, it is a common condition of subscription to software that the supplier will not indemnify you from any damage or loss due to the corruption or loss of data on their system.

The law requires a business to retain full business records. It is each business' responsibility to ensure they have the required records. Accordingly, you must have copies of your business records kept independently of the software company.

As your professional advisor we will ensure regular backups, reports and copies of business records are extracted from the software and retained at the location on your own computer system as agreed with you.

We also advise that we have retained records of the work we have performed for you, however these records are not sufficient to comply with your record keeping obligations, unless separately agreed with you as an additional part of our services.

Your Use of the Software Implies Consent

Your use of the software with these terms requires your agreement with the software company having this access.

As your professional advisor we are obliged to make you aware of these conditions and require your acknowledgement and agreement to using this software.

Employees and Workplace Giving and Salary Sacrifice

There are 3 methods an employer can use to record donations made by an employee that the employer pays directly on their behalf.

1. **After Tax Donation.** This way the gross/net pay is calculated as usual with the tax amount; the donation is made from the net pay. The donated amount appears on the payment summary at the end of the year. The employee can then claim this donation against their taxable income in their tax return.
2. **Salary Sacrifice.** This way the employee can “sacrifice” the wage to the charity, and pay no tax on the sacrificed amount. This is reported the same as super salary sacrifice, and reduces gross payments accordingly. This however does not get reported on the payment summary, and the employee cannot claim the amounts donated against their tax return.
3. **Workplace Giving Scheme.** An employer may offer a workplace giving program where a donation to a DGR is deducted from the employee’s wages and paid directly to the DGR on behalf of the employee. This is an optional program and is an ATO approved scheme where the tax is calculated differently - essentially the employee gets a slightly reduced tax rate for donating some of their after tax income to a charity. The donated amount appears on the payment summary at the end of the year. The employee can then claim this donation against their taxable income in their tax return. There are specific guidelines and tax calculations for [setting up a workplace giving program](#).

In all cases, the employee still gets the Super Guarantee paid on the gross wage. Also in all cases, for the employer to pay directly to the charity it must be a registered Deductible Gift Recipient.

If the employee wishes to donate to an entity other than a registered DGR, they must do this themselves, the employer cannot get involved. It is up to the employer to check the status of the charity and confirm that they are DGR before paying them. Check the charity’s ABN to verify their status.

There is no limit to how much of their wage an employee can donate. If they choose, they can donate their entire wage.