

TAX TIPS + REMINDERS

Important: End of Financial Year Actions for You

Hello,

This has probably been the most difficult year ever for business owners due to the impact of COVID-19.

And this makes Tax Planning for 2020 and key actions before 30 June more important this year than for any previous year.

As a business owner, there are many obligations that you need to consider and action just before and after 30 June.

Some of these will help to minimise your tax. Others will reduce your exposure to an ATO tax audit. We have outlined these action points below to assist you.

Please carefully consider this information and contact us immediately if you have any questions we can answer or if there is anything we can assist you with.

DATE

ACTION REQUIRED + UPDATES

25 June 2020

2020 FBT Return due for lodgement

Pre 30 June 2020

Trusts: Trustee resolutions need to be in place to be able to distribute trust income for the 2020 financial year to beneficiaries.

Companies: Review shareholder loan accounts and make minimum loan repayments (may need to declare dividends).

Pay **superannuation** by 25 June 2020 to deduct contributions in the current financial year.

Complete a **stocktake** where required.

Write off **bad debts** and scrap any obsolete stock or plant and equipment.

Ensure any inter-entity **management fees** have been invoiced in your accounting system with proper Agreements in place.

14 July 2020 (on or before)

Single Touch Payroll Finalisation Declarations need to be made by 14 July 2020 (20 or more employees)

28 July 2020	Quarterly super guarantee payment due (1 April – 30 June 2020).
31 July 2020	Single Touch Payroll Finalisation Declarations need to be made by 31 July 2020 (19 or less employees)
28 August 2020	Taxable payments annual report due for payments to Contractors.
7 Sep 2020	Last day for Superannuation Guarantee Amnesty for historic non-compliance

Key changes you need to be aware of

NO TAX DEDUCTIONS IF YOU DON'T MEET YOUR TAX OBLIGATIONS

From 1 July 2019, if taxpayers don't meet their PAYG withholding and reporting obligations to the ATO, they will not be able to claim a tax deduction for payments:

- of salary, wages, commissions, bonuses or allowances to an employee;
- of Director's fees;
- to a religious practitioner;
- under a labour hire arrangement; or
- made for services where the supplier does not provide an ABN.

If you make a mistake and voluntarily correct it before the ATO begins a review or audit, a deduction may still be available but penalties may still apply for failure to withhold the correct amount of tax.

PAYMENTS TO CONTRACTORS

Payments to contractors operating in certain industries need to be reported to the ATO by 28 August 2020.

This Taxable Payment Report is required for:

- Building and construction services
- Cleaning services
- Courier services
- Road freight services
- Information Technology (IT) services
- Security, investigation or surveillance services
- Mixed services (providing one or more of the services listed above)

SUPERANNUATION GUARANTEE AMNESTY

The Superannuation Guarantee (SG) amnesty provides a one-off opportunity to disclose historical non-compliance with the superannuation guarantee rules and pay outstanding superannuation guarantee charge amounts,

7 September 2020 is the last day that employers can take advantage of the SG amnesty.

This only applies to voluntary disclosures.

To qualify for the amnesty, employers must disclose the outstanding SG to the Tax Commissioner. You either pay the full amount owing, or if the business cannot pay the full amount, enter into a payment plan with the ATO. If you agree to a payment plan and do not meet the payments, the amnesty will no longer apply.

ACTION STEP: If you have any unpaid employee super from prior years, contact us ASAP so that we can work with you to help prepare and lodge the SG Amnesty Form with the ATO.

Your 2020 EOFY Reminders & Action Items

SINGLE TOUCH PAYROLL - UPDATE

Small businesses with 19 or less employees and that employed family members were due to start reporting these employees (known as "closely held") through Single Touch Payroll (STP) from 1 July 2020.

However, due to COVID-19 the start date of this has been extended to 1 July 2021. Your small business can start voluntarily using STP earlier than this date.

All other employees should now be reported through STP.

REPORTABLE FRINGE BENEFITS

Where you have provided fringe benefits to your employees in excess of \$2,000, you need to report the FBT grossed-up amount. This is referred to as a 'Reportable Fringe Benefit Amount' (RFBA) amount it needs to be updated for each employee as part of your Single Touch Payroll finalisation procedure for 2020.

STOCKTAKE

Businesses that buy and sell stock generally need to do a stocktake at the end of each financial year as the increase or decrease in the value of stock is included when calculating the taxable income of your business.

If your business has an aggregated turnover below \$10 million, you can use the simplified trading stock rules. Under these rules, you can choose not to conduct a stocktake for tax purposes if the difference in value between the opening value of your trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year is less than \$5,000. You will need to record how you determined the value of trading stock on hand.

If you do need to complete a stocktake, you can choose one of three methods to value trading stock:

- **Cost price** – all costs connected with the stock including freight, customs duty, and if manufacturing, labour and materials, plus a portion of fixed and variable factory overheads, etc.
- **Market selling value** – the current value of the stock you sell in the normal course of business (but not at a reduced value when you are forced to sell it).
- **Replacement value** – the price of a substantially similar replacement item in a normal market on the last day of the income year.

A different basis can be chosen for each class of stock or for individual items within a particular class of stock. This provides an opportunity to minimise the trading stock adjustment at year-end. There is no need to use the same method every year; you can choose the most tax effective option each year. The most obvious example is where the stock can be valued below its purchase price because of market conditions or damage that has occurred to the stock. This should give rise to a deduction even though the loss has not yet been incurred.

TRUST DISTRIBUTION RESOLUTIONS

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2020 at the latest. Decisions made by the trustees should be documented in writing, preferably by 30 June 2020.

If valid resolutions are not in place by 30 June 2020, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

ACTION STEP: If you haven't already signed your Trust Distribution Resolution, please contact our office before 30 June 2020 so that we can properly prepare this document for you to sign.

PAYROLL TAX

Payroll tax applies to all entities that have an Australian payroll that exceeds state-based limits.

You should note that in addition to normal salaries and wages, the following items are generally also included in payroll expenses if payroll tax applies:

- fringe benefits based on the grossed-up taxable value of fringe benefits;
- all employer contributions to superannuation on behalf of employees; and
- some contractor or sub-contractor fees.

For more detailed information about whether payroll tax applies to your business, please contact our office.

ACTION STEP: The Annual Return/Reconciliation for payroll tax must be lodged by 21 July 2020 (Queensland, Victoria, Northern Territory, Tasmania and WA) or by 28 July 2020 (NSW and South Australia) with your State Revenue Office.

WORKCOVER / WORKSAFE

Your WorkCover/WorkSafe insurer sends an annual reconciliation to all registered employers at the end of the financial year.

In completing your annual reconciliation, you will need to include the following items in addition to normal salaries and wages:

- fringe benefits based on the taxable value of fringe benefits (do not gross-up);
- all employer contributions to superannuation on behalf of employees; and
- some contractor or sub-contractor fees.

For more detailed information about what items to include in the reconciliation statement, please contact our office.

Once the reconciliation is received and processed by your WorkCover/WorkSafe insurer, you will be issued with a final assessment or a refund depending on the instalments you have paid during the year.

ACTION STEP: Complete and lodge the Annual Reconciliation with your WorkCover/WorkSafe insurer by the due date.

GOODS AND SERVICES TAX (GST)

A reconciliation of GST should be performed as at 30 June 2020 to determine if there has been an under or over-payment of GST in the 2020 tax year. If a discrepancy has arisen, then it is possible to adjust a subsequent Business Activity Statement (BAS) to rectify the error, however there are limits imposed on adjustments that can be made in this way.

Income declared on your BAS should be reconciled to income declared on your income tax returns.

Also, please note that you are required by law to substantiate all Input Tax Credit claims with a complying Tax Invoice, and you need to retain these documents for a minimum of 5 years.

ACTION STEP: Complete the annual GST reconciliations, and check that you have all required tax invoices and other supporting documents.

ATO AUDIT ACTIVITY

Please note that the ATO and State Revenue Office are constantly increasing their audit activities. There has been an increase in audit activity for PAYG Withholding, Payroll Tax, WorkCover, GST, Division 7A loan accounts from companies, and Trust distributions from Discretionary Trusts.

We can offer a review of your records and record-keeping procedures if you are concerned about your ability to satisfy an audit.

ACTION STEP: Please contact our office if you would like to request this service.

Last Minute Tax Minimisation Tips

Here's a few final reminders about ways to reduce your tax for 2020:

1. Write-off Bad Debts in your computer system before 30 June 2020.
2. Write-off any trading stock that is damaged or obsolete.
3. Review your Asset Register and scrap any obsolete plant and equipment.
4. Pay for marketing materials, repairs, consumables, office stationery, and donations before 30 June 2020.
5. Ensure employee superannuation contributions are made (and received by your employees' superannuation fund/s) by 30 June 2020 to allow a tax deduction this financial year.
6. Realise any capital losses you have before 30 June 2020 to offset against any capital gains you may have made.

WANT TO TALK?

Feel free to [contact our office](#) anytime by phone or email – We're here to help you!

General advice disclaimer

General advice warning: The advice provided is general advice only as, in preparing it we did not consider your investment objectives, financial situation or needs. Before making any decisions based on this advice, you should consider how appropriate the advice is to your specific investment needs and objectives. You should also consider the relevant Product Disclosure Statement before making any decision relating to a financial product.

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