

GETTING THE FINANCIAL YEAR OFF TO A GOOD MONEY START



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Small business owners looking to start the new financial year off on the front foot need to invest time into keeping abreast of new tax year changes that may have an impact on their small business. The risks of not doing so can either lead to missed opportunities or to potential disaster. The Federal budget handed down in May contained a number of matters that directly impact on the majority of small businesses in Australia.

Employee Superannuation Contributions

While the budget contained measures to delay the rate of increase in the compulsory SGC employers must pay for their employees, the minimum percentage of SGC rises from 9.25% to 9.5% effective from 1 July 2014. Based on current proposals the rate will remain at 9.5% until 30 June 2018. Small businesses need to ensure that this increased obligation is factored into budgeting for the new financial year. In order to ensure you are paying the proper rate it is essential that your accounting and payroll software is updated for these changes. Hanging onto old versions of desktop software is no longer wise, not that we think it ever was.

Minimum wages increase

A recent decision handed down by the Fair Work Commission has seen the federal minimum wage rise by 3% from 1 July 2014. If your employees are covered by an award agreement then this change will most likely impact on your wages costs. This is on top of the previously mentioned SGC increases, to be fair the Fair Work Commission did set the increase at less than the unions asking point, taking into account the extra superannuation contributions that also take effect from 1 July.

Concessional super cap changes

From 1 July 2014 the concessional superannuation caps have increased to allow all Australians to contribute a maximum of \$25,000.00 per financial year into their superannuation. The

beg benefit comes for those aged 50 and over who can now contribute up to a maximum of \$35,000.00. For those small business owners approaching retirement or even the younger generation just looking at a complete financial plan taking advantage of these higher concessional amounts can result in immediate tax savings and investing in your own retirement at the same time.

Fuel tax credits

With the proposed removal of the carbon tax a decision was made in the budget to adjust the fuel tax credit scheme to account for the removed costs of the carbon tax on affected businesses. The amount of fuel tax credit eligible to be claimed will drop for petrol and diesel used in off-road activities. Fuel tax credits will not drop for vehicles with a mass greater than 4.5 tonnes traveling on public roads. The ATO has also gone out of its way to remind businesses that any fuel tax rebates they receive are actually taxable income that needs to be declared in your annual income tax return on an amount received basis.

Tax rate changes

There is only one change to mention when it comes to actual personal income tax rates, but for those affected, it can be a significant factor in decision making. For those whose taxable income exceeds \$180,000.00 the temporary budget 'deficit levy' of 2% of taxable income will apply to every dollar of taxable income over and above \$180,000.00. This levy will remain in place for the next two financial years. A further reason to ensure your payroll software is up to date, lest you under tax yourself or employees and then receive a nasty surprise when it comes time to prepare your own personal income tax returns.

Increase in Medicare levy

The current Medicare Levy of 1.5% will rise to 2% from 1 July 2014. This will impact on the PAYG withholding that applies to all employees of businesses in Australia. The Medicare levy exempt

thresholds remain in place for low income earners and a select number of other exemptions. The Medicare Levy Surcharge imposed on those who exceed the applicable income threshold's and do not have appropriate levels of private health insurance also remain in place for this financial year.

Loss carry-back rules repealed

In the 2013 income tax returns a transitional measure applied where small businesses could offset 2013 losses against 2012 taxable profits to generate a refund of tax paid on 2012 profits, rather than carrying forward 2013 tax losses. The Government is seeking to legislate that this no longer apply to 2014 taxable losses. Only time will tell if the Senate allows this measure to pass. Sadly, the uncertainty of such unlegislated yet proposed changes only serves to add to the complexity of Australia business conditions and hinders clear and certain business decision making. With tax laws being passed retrospectively is it any wonder that the biggest complaint of Australian small business is red tape, generated by Government complexity.

It pays for every small business owner to invest time into researching changes that may apply to their situation. Some changes can be advantageous in tax planning and minimisation strategies whilst other changes, if not adhered to, can result in significant penalties and headaches for small business owners. Of course how many small business owners actually have the spare time to do this? Not many, would be our answer. The most time efficient manner of keeping abreast of such changes may be through an accountant or financial planner generated newsletter, blog or social media pages dedicated to your requirements. **BF**

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You run a small or medium business and you've heard about all these new great technologies that could help you improve. You have been told you could save time, money, increase productivity and a range of other great things. So how do you adapt these technologies?