ON THE MONEY

An update from Bayside Business Accountants

BBA

Tax laws, new rules and different processes make it difficult to keep up with all the changes affecting you or your business but we have got it covered. The following changes may be relevant to you!

- Money sitting in inactive bank accounts are now being taken by the government after 3 years - make sure this doesn't happen to you!
- Need some money? You could have unclaimed money waiting to be collected. Make sure you look up ASIC's Money Search to see if you have money in your name!
- Are you a business owner, sole trader or contractor working in the building and construction industry? You may be required to report taxable payments made to contractors.
- Thinking of buying a business asset? New rules mean better tax benefits for you! Read on for more information about claiming immediate deductions.

Any further questions? Call us today on **9583 4316**.

Do You Have An Inactive Bank Account?

From May 31, 2013 the Federal Government will be able to transfer the balance from bank accounts that have not been used for three years into their own coffers. The previous legislation allowed for bank accounts to remain inactive for up to 7 years before the funds were transferred to ASIC.

The legislation was rushed through parliament in February 2013 and it means that accounts with anything from $1 upwards that have not had any deposit or withdrawals in the past three years will be transferred to the Australian Securities and Investment Commission. The money can be reclaimed from ASIC but the process can take months. This raid by Treasury is forecast to raise $109 million this year.

People who have put money away in an account for their children's education or who have deposited inheritance proceeds in a separate account for a rainy day may be impacted. The Australian Bankers Association warn that unsuspecting customers face having accounts frozen and this cash grab comes as economists predict the Government is on track to hand down a $15 billion budget deficit in May. Before Christmas, Treasurer Wayne Swan junked the Government's previously "rock solid" promise to produce a surplus in 2012-13.

Do You Have Unclaimed Money In Your Name?

There is more than $670 million in lost shares, bank account and life insurance funds, including $143 million unclaimed from Victorian residents. Money can get lost when you move interstate, overseas or you just forget to claim it!

Just type in your name to do a quick search to see if you have a claim at: https://www.moneysmart.gov.au/tools-and-resources/find-unclaimed-money/unclaimed-money-search

Building Industry Taxable Payments Report

As part of the 2011/12 Federal Budget, the Government announced the introduction of taxable payments reporting for businesses in the building and construction industry. The purpose of this new reporting function is to collect more information about payments contractors receive. This information is to be used to cross match the data with tax returns to detect contractors who may have failed to disclose all their income.

Who needs to complete the report?

From 1 July 2012, businesses primarily in the building and construction industry (i.e. 50% or more of your business income, or 50% of your business activity) must report the total payments they make to each contractor for building and construction services each financial year. Businesses, including sole traders or contractors wholly or principally engaged in the building and construction industry will be required to report. Private individuals such as owner builders will NOT be required to report.

What payments must be reported?

Payments made under a contract, either in whole or in part, for the supply of building and construction services must be reported. Payments that are made for either the supply of purely goods/materials (not services) or payments for employee salary and wages don’t need to be reported.

Who is reported on?

Any contractor or sub-contractor who is engaged in the building and construction industry, who quotes their ABN to the purchaser and receives a payment for building and construction work. The reporting will NOT generally apply to domestic building projects and will be limited to business-to-business transactions. However, where a domestic building project is undertaken by builders using any sub-contractors, then they will need to report those payments.

The Report

The report will officially be known as a ‘Division 405 Report’. It will contain information that identifies the ‘supplier’ and the payments to the ‘supplier’ in the reporting period. Businesses will be required to report the actual payments made to each contractor and all payments must be reported as there is no minimum reporting amount. The report must

include the following details:

- Contractor’s Name
- Contractor’s ABN
- Contractor’s Address (if known)
- Total amount paid or credited to the contractor during the financial year whether any GST has been charged

It is important to note that even though you or the supplier may be registered on a cash basis for GST, all reporting for this new report must be done on an accruals basis. At this stage reports will need to be made annually but this could change as there is provision in the regulations for the reports to be lodged quarterly. You will need to begin recording payments from 1 July 2012, with the first annual reports required on the 21 July 2013. A business failing to provide the report by the due date may be liable to pay a penalty of $2,200.

What do I need to do?
You need to consider whether your current record keeping systems are adequate to record this new information. The last thing you want to do in July 2013 is re-trace the last 12 months of contractor payments. If you are an employer within the Building & Construction Industry you need to ensure that your contractors are compliant and also be aware that in some cases the Tax Office could in fact deem some contractors to be employees.

If you have a contractor who is an individual operating under an ABN but works the majority of his/her time for you and only provides labor services (as opposed to providing both goods and labor) then the Tax Office could view them as your employee rather than a contractor. This would make you liable for the Superannuation Guarantee and Pay-As-You-Go Withholding Tax.

If you have any queries in relation to your reporting requirements please call our office.

Thinking Of Buying A Business Asset?

Clients often ask us about the best way to acquire different types of assets in their business. In this article we’re talking about plant & equipment and depreciating assets like machinery and computers. On 1 July, 2012 some new rules were introduced that offer small business owners significant tax advantages. In some cases, a small business can claim the entire cost of the asset as a tax deduction in the year of purchase. Historically, these business assets were depreciated over a number of years, or their effective working life.

To be eligible for these simplified depreciation rules the entity needs to be in business (trading not just holding investments) and have an aggregated annual turnover of less than $2 million. The ‘aggregated turnover test’ not only looks at your turnover but also

the turnover of any entities connected to you such as a Trust.

Assets Costing Less Than $6,500

If your business qualifies as a small business and can access the simplified depreciation rules, any depreciating assets you purchase below $6,500 can be written off in the year of purchase. If your business is registered for GST the $6,500 is GST exclusive, if not, the $6,500 is the GST inclusive amount.

Let's assume you decide to replace some of the computers in your office and you purchase 4 new laptop computers in the 2012/13 financial year at a GST exclusive cost of $2,500 each (GST ex). As each laptop costs less than $6,500, they can be written off immediately and you can claim a total deduction of $10,000 in your 2013 tax return. As this example illustrates, the $6,500 threshold applies on an asset by asset basis, so you can claim the immediate deduction on more than one asset.

In addition to claiming an immediate tax deduction for assets with an initial cost of less than $6,500, in some circumstances it is also possible to claim an immediate deduction for additions or improvements to these assets in a later income year. For example, if you purchased a digital printer for $5,500 in 2012/2013 and then bought a $2,200 component to improve the productivity of the printer in 2013/14 you could claim the initial purchase price ($5,500) in 2012/2013 and the $2,200 printer component in the 2013/2014 year. However, it is only possible to claim an immediate deduction for the first additions or improvements. Any additions or improvements beyond the first component are not an outright tax deduction and depreciation would be claimed over a number of years.

Special Rules for Motor Vehicles

You can claim an immediate tax deduction for the first $5,000 on new and second hand motor vehicles purchased on or after July 1, 2012. The balance of the vehicle's cost price is then depreciated at 15% in the first year. A motor vehicle for these purposes is defined as any motor powered on-road vehicle including four wheel drives. However, graders, tractors, harvesters etc. don't qualify as their primary purpose is not to run on public roads.

Let's assume you are a trades person and buy a twin cab 4WD utility for $40,000 excluding GST in March 2013. The vehicle is used exclusively for business and in the 2012/13 financial year you can claim a tax deduction of $5,000 with the balance of the purchase price ($35,000) depreciated at 15% in the same year.

Limits apply to the deduction you can claim. If it's a 'luxury' vehicle, the depreciation cost limit for 2012/13 is limited to $57,466 regardless of how much you paid for the vehicle.

Other Assets Costing More Than $6500

What happens if you buy an asset (other than a car) that costs more than $6,500? Small

businesses can ‘pool’ all other assets and claim 15% the first year the asset is in the pool and 30% for each subsequent year. If the value of the pool drops to below $6,500 then the whole pool can be written off.

Get Advice

It is important you seek advice before you rush out and buy expensive plant and equipment or cars. You need to consider the taxation and cash flow consequences. Talk to us before you commit to the purchase of capital equipment because we can advise you on finance alternatives and the various GST and taxation implications.

The greatest compliment we can receive is the referral of your family, friends and business colleagues. If you refer business to us, please let us know so that we can show our appreciation.

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comments only and do not convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of these areas.