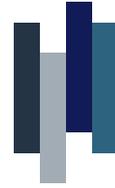


CONRAD CARLILE

TAXATION & BUSINESS ADVISORS



ARE YOU PREPARED FOR TAX TIME?
CONCESSIONS FOR SMALL BUSINESSES

WHAT IS SMALL BUSINESS?

The small business sector is booming in Australia; described as the engine room of the economy as well as the biggest employer in the country – and it's not hard to see why. Recent statistics claim that in Australia, small businesses are a major employer, generating millions of jobs nationwide. Some estimate that small business jobs account for around half of private sector employment!



The definition of what constitutes a “small business” vary across different industry sectors. The Australian Bureau of Statistics defines a small business as having less than 20 employees, while for the purposes of the Corporations Law it is set at fewer than 50 employees.

From a tax perspective, the bar is set at having less than \$2 million in annual turnover. If these conditions are satisfied, the entity is referred to as a “small business entity”. Tax law stipulates that this turnover is “aggregated”. In very broad

terms, this means the annual turnover of the business must include the turnover of every entity that is “connected to” or “affiliated” with the business. A large business cannot therefore split its activities so that each “division” can slip under the \$2 million threshold in order to gain access to the various tax concessions.

At Conrad Carlile we specialise in small business accounting, and can help advise you on appropriate concessions that you and your business are entitled to.



“The definition of what constitutes a “small business” vary across different industry sectors... Typically, a business with fewer than 50 employees is considered a small business (Corporations Law).”

WHAT CONCESSIONS ARE AVAILABLE?

No matter the definition of a small business, the one thing that everyone agrees on is the central role that small business plays in the Australian economy. Just how important can be underlined by the fact that the government has seen fit to give the small business sector a break on a range of tax matters...

There are several tax concessions that smaller enterprises can take up. Throughout the pages of this eBook, we will explore the following in greater detail:

- Simplified depreciation
- Car parking and FBT exemption
- Trading stock
- GST and PAYG instalments
- Prepaid expenses
- Help for capital gains tax



SIMPLIFIED DEPRECIATION

The advantage of simplified depreciation is that this concession makes it easier to do tax depreciation calculations. Simplified depreciation rules means that small businesses can immediately write-off assets that cost less than \$20,000 (until June 30, 2017). This can include some big-ticket items, assets such as photocopiers, laptops, fridges, desks.

There is currently a threshold set at \$20,000. This means that a business can depreciate assets that are equal to or greater than the \$20,000 threshold in a depreciation pool at a rate of 30% (15% in the first year). The pool balance can also be written off for an income year if the relevant balance falls below the \$20,000 threshold. There are special considerations to take with simplified depreciation – contact the advisory team at Conrad Carlile for more information on simplified depreciation.

TRADING STOCK

When it comes to trading stock rules, the Australian Government has extended a hand to small business owners and made things even easier, providing a set of simplified trading stock rules. Specifically, if your trading stock has not changed in value over the income year (either positively or negatively), by more than \$5,000 you can choose not to do an end-of-year stocktake. Instead, you can include the same stock value at year-end as at the start of the year. In other words, the closing stock value is accepted as no change for the current financial year.

PREPAID EXPENSES

A small business entity can also get an immediate tax deduction for certain pre-paid business expenses. For example, if a payment covers an expense that is referable to the next financial year (like insurance premiums, or rent) you can claim that deduction in the current income year and boost your tax return figures. It is important to remember, however, that the “service period” to which the expense applies may need to be limited to 12 months or less, or otherwise the deduction may need to be apportioned over more than one income year.

CAR PARKING AND FRINGE BENEFITS TAX EXEMPTION

If you are a small business employer, car parking benefits you provide to your employees are exempt from fringe benefits tax (FBT) if all the following conditions are satisfied:

- The parking is not provided in a “commercial car park”;
- You are not a government body, a listed public company, or a subsidiary of a public listed company; and
- You were either a “small business entity” for the last income year before the relevant FBT year, or your total income for the last income year before the relevant FBT year was less than \$10 million – for this purpose, your income includes ordinary income before any deductions.

GOODS-AND-SERVICES-TAX AND PAY-AS-YOU-GO INSTALMENTS

Taking care of your GST obligations can be made less of a headache as well, as some eligible businesses are only required to account for the GST once payment is received. You can also pay GST in quarterly instalments, and the Tax Office will work out for you how much these instalments amount to. A small business can also, if using some items for private uses, choose to claim the full GST credits and make one single adjustment for private use at the end of the tax year.

Another concession available to small business owners’ concerns pay-as-you-go income tax instalments. This means you can pay a quarterly instalment that is worked out based on your most recently assessed tax return. The quarterly instalment amount is GDP-adjusted, and will save you the time and the effort in having to do the “long form” calculations.



“When it comes to trading stock rules, the Australian Government has extended a hand to small business owners and made things even easier, providing a set of simplified trading stock rules...”

HELP FOR CAPITAL GAINS TAX

There are four CGT concessions that may be available to fully disregard or reduce capital gains made by a small business from the disposal of eligible CGT assets (i.e. commercial premises used by the business). The concessions can also apply to a small business owner disposing of their interests (i.e. shares in a company).

THE 15 YEAR EXEMPTION

Where a tax payer who is at least 55 years of age and is retiring disposes of a CGT asset that has been owned for a minimum of 15 years. The capital gain is fully disregarded under the exemption.

THE 50% ACTIVE ASSET REDUCTION

The capital gain arising from the disposal of a CGT asset may be discounted by 50%, but there are specific rules about what qualifies.

THE RETIREMENT EXEMPTION

A taxpayer may exempt a capital gain from the disposal of a CGT asset under the retirement exemption up to a lifetime maximum cap of \$500,000. It is not necessary to actually retire and the concession can be utilised more than once up to the cap. A taxpayer under 55 years is only exempt if it has rolled over into a complying superannuation fund.

THE CGT SMALL BUSINESS ROLL-OVER

A capital gain arising from the disposal of a CGT asset may be deferred provided a replacement asset is acquired within a two-year period. The gain is deferred until disposal of the replacement asset.

The small business CGT concessions are complex, containing many requirements under each concession.

For information best suited to your business's needs, contact the advisory team at Conrad Carlile.

5 COMMON TAX MISTAKES

SMALL BUSINESSES MAKE WHEN THEY DON'T USE AN ADVISOR

Hard work is vital for any small business or entrepreneur to succeed. But hard work alone won't guarantee you reach your goals. In our experience, a lot of businesses fail because they don't plan for the accounting and taxation requirements of running their business. From payroll tax to super guarantee contributions to GST, we've seen businesses blindsided by hefty penalties and tax debts.

Here are the five most common tax areas we have encountered, where small businesses can struggle. You can avoid these mistakes with some financial help, and boost your chances of making it big!

1. WE'LL HELP YOU KEEP GOOD RECORDS

Good records mean good business – there's no way around it. Transparency and accurate organisation of these vital financial details is paramount to the successful running of your business.

2. GET ADVICE ON THE STATUS OF WORKERS

Not getting the engagement status of workers right can land employers in unforeseen hot water. Ensure you stay on top of the latest information from your state government body when it comes to employee rights and their entitlements.

3. PAY THE SUPERANNUATION GUARANTEE, AND ON TIME

When cash flow becomes an issue, too many businesses leave superannuation guarantee payments until last. If you want to avoid penalties from the Tax office, you need to make sure your employees are paid superannuation when they need to be paid. You can't risk late lodgements.

4. WE'LL KEEP YOU UP-TO-DATE ON CHANGES TO TAX LAWS

Did you know payroll tax rates have changed? It is important to stay updated with latest news and industry insights from the Australian Taxation Office. The more informed you are, the less likely you are to fail, make mistakes, or make inaccurate payments.

5. DON'T MISS OUT ON DEDUCTIONS

As a financial rule of thumb, save all of your receipts for end of financial year so you can claim back all that you are entitled to. Particularly when investing in large ticket items, adding to the equity of your business, you'll want to make sure you are eligible for every incentive.

WE DO THE NUMBERS SO
YOU HAVE THE TIME TO
DO WHAT YOU LOVE...



We are committed to forming close partnerships with our clients. This way we can understand your unique situation and customise the assistance we provide to suit your needs. Our commitment to excellence is evident in the hardworking nature of our staff, and the exceptional service we offer. Our enthusiasm for our work means you are provided with a friendly team of professionals who are eager to use their expertise to help you succeed.

Conrad Carlile will work closely with you to:

- Grow your wealth
- Increase your profit
- Help you improve your cash flow
- Protect your assets
- Minimise your tax position in the future
- Help with succession planning
- Help with selling your business
- Help you financially

Have a question, want to know more about your taxation obligations, or simply need financial advice?

Contact our friendly team of advisors at Conrad Carlile today. We will be in touch to discuss your individual requirements.

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