BUSINESS AND TAX NEWS

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EVANS EDWARDS

ACCOUNTANTS | AUDITORS | BUSINESS ADVISORS

In this edition

New financial year changes you need to have considered.

In the lead up to June 30, many business owners were busy tying up their tax affairs. During this time it can be easy to lose sight of other business issues, especially legislative and compliance changes that have taken place at the start of the new financial year.

Consider the following changes that have taken effect from 1 July 2018:

Minimum wage increases: A new minimum wage is now in effect starting from the first pay period on or after 1 July 2018. The new hourly minimum wage is $18.93 per hour, up from $18.29 – a 3.5 per cent increase. The base rates of pay in modern awards will also increase. Employers must ensure that they check the new wage rates that apply to their business and take action immediately.

High income threshold: the high income threshold in unfair dismissal cases will increase to $145,400 per annum. The previous threshold was $142,000 per annum for dismissals that took place on or after 30 June 2017. The compensation limit will be $72,700 for dismissals occurring on or after 1 July 2018.

Changes to penalty rates for some awards: From 1 July 2018, Sunday penalty rates for workers in the Fast food, Hospitality, Pharmacy and Retail awards changed, following a Fair Work Commission decision made last year. The rate cuts are between 10 to 15 per cent, depending on the award.

Tax: Online retailers are now required to register for GST on sales of low-value imports of physical goods imported by consumers. Businesses that meet the $75,000 registration threshold will need to take action now to review their business systems to ensure that they comply. They will need to register for GST, charge GST on sales of low value imported goods (unless they are GST-free), and lodge returns to the ATO. These businesses may be merchants who sell goods, electronic distribution platform operators or re-deliverers.

Also, the 32.5% income tax rate threshold increased to $90,000 from $87,000 as of 1 July 2018.

If you have any questions, please give us a call.

ATO eases stance on income tax penalties

The Australian Tax Office (ATO) has changed the way penalty relief is applied to certain taxpayers as of 1 July 2018.

The Tax Office will no longer apply a penalty to tax returns and activity statements where eligible individuals and entities have made an inadvertent error by failing to take reasonable care or have not taken a reasonably arguable position.

If the ATO finds an inadvertent error, they will contact you to let you know how to get it right for next time.

Eligible individuals and entities with a turnover of less than $10 million, including small businesses, self-managed superannuation funds, strata title bodies, not-for-profits and co-operatives, can access penalty relief.

The ATO will automatically apply penalty relief for those who are eligible and are under audit. It will also apply to periods under audit prior to 1 July 2018.

However, there is a reset period. Penalty relief will only be available once every three years at most. It is also not available if you have been penalised for reckless or intentional disregard of the law, evaded tax or committed fraud, or have been involved in any other tax avoidance schemes, i.e., phoenix activity.

PLAN AND MEASURE YOUR BUSINESS TO SUCCESS

In the 80's and earlier years, just about every management decision was a guess!

Then and now, many business owners love being a technician, focusing on developing their technical skills and trying to avoid the financial side, hoping they don't need to know much about it to be successful. They do this at their peril.

Just because you are a great technician, does _not_ mean you will be super successful in business.

Now *everything* has changed – we have the technology to grow better businesses.

As a business owner, hard work isn't enough to grow a business, but working ON your business and working SMART will.

The power and need, to PLAN and MEASURE in your business are arguably the most critical elements of business success. Without a well thought out plan you really have no chance of achieving your success. Without measuring your performance against your plan, you have no idea whether you are on track or not.

There are many things that can be measured in a business, however it is only necessary to measure the most critical 4 – 6 key indicators. Too much measuring can often be a waste of time.

Fortunately, we are no longer operating businesses by guessing. The current technologies available to us, now allow us to quickly and easily measure the key indicators in any business that are critical to its success.

Consistently and frequently by measuring the key indicators we are able to make better business decisions and transform your business for the better.

By: Tony Edwards
Director
Evans Edwards and Associates Pty Ltd

Should I enter a partnership?

Whether you are in the business game already or setting your sights on a new business venture, starting a partnership may be an option you are considering.

A partnership business structure is an unincorporated business with 2-20 owners. The individual owners work together to achieve the goals of the business; sharing responsibility and profits.

Partnership laws vary depending on your state or territory. There are two types of partnerships – general and limited.

A general partnership is where all partners are equally responsible for the day-to-day management of the business, whereas, a limited partnership has a least one general partner who is responsible for controlling the day-to-day operations and is liable for the debts and obligations of the business. The passive partners in this type of partnership are called limited partners. Limited partners generally contribute a defined amount of capital, and their liability is limited to the amount of capital that is contributed.

Consider the following advantages and disadvantages before starting or joining a partnership:

Advantages: A partnership structure is easy and inexpensive to set up. Unlike operating as a sole trader, there is increased opportunity for income splitting, more capital available and higher borrowing capacity.

Working as a team can also provide more perspective than working as an individual. High performing employees can also be made partners.

From a tax perspective, partnerships do not need to pay tax on their income. Each partner pays tax on their share of the net partnership profit. Superannuation is a responsibility of the individual partner, as partners are not considered employees. Additonally, there is limited external regulation and reporting requirements.

Removing partners is generally straightforward. The only condition is that at least two partners are left in the business. If a partner wishes to resign from the partnership, it is relatively simple to dissolve the partnership and recover their share.

Disadvantages: This type of business structure carries unlimited liability, meaning the business owners are liable for the debts of the business and are subject to reasonably cover what is owed or risk seizure of their personal assets.

Each partner is responsible for the debts and liabilities of the business (with the extent depending on the type of partnership) including the actions of other partners. This can cause disputes and friction among partners, resulting in unfavourable circumstances. For example, one partner may have a differing vision or a different opinion on administrative control or profit sharing for the business compared with the other partners. Although the process of adding and removing partners is simple, partners will most likely need to value partnership assets which can be expensive.

Every situation is different and there are many structures to consider, so always consult your professional advisor to get the best advice to suit you.