



AVOID THE RUSH:

Prepare your business for June 30

As the economy begins to get back on its feet, it's time to get your business back on track and start preparing for this year's tax time.

Although 30 June may seem a long way off, there have been so many changes and government initiatives announced during the current financial year, you are likely to need extra information and paperwork to lodge your business' return.

Whether it's reporting JobKeeper payments and Cash Flow Boost credits, using new tax incentives, or finalising the annual Single Touch Payroll (STP) report, it makes sense to start early.

Here's a list of things to consider or seek advice on when it comes to preparing your return.

Reporting JobKeeper support

JobKeeper payments are assessable income, so they need to be included in your business' tax return if you operate through a company structure. Entities operating as a partnership or trust also need to report JobKeeper payments as business income in their partnership or trust return.

If you are a sole trader who received JobKeeper payments, you need to include your payments as business income in your individual tax return.

Cash Flow Boost credits

On the other hand, the government's Cash Flow Boost payments to employers with a turnover of less than \$50 million are classed as non-assessable income. This means your business won't pay tax or GST on them.

How these credits are reported in your tax return or financial statements depends on your business structure, so contact us for more advice.

Budget tax changes and incentives

It's also sensible to consider whether or not you plan to take advantage of the government's temporary full expensing measure in this financial year. This measure applies from 6 October 2020 to 30 June 2022 for businesses with turnover of up to \$5 billion. The initiative allows you to deduct the full cost of

eligible depreciable assets of any value in the year they are first used or installed ready for use.

Another tax decision to start mulling over is whether to use the new temporary loss carry-back measures. These allow you to offset tax losses against previous business profits on which tax has been paid to generate a tax refund. Losses incurred in 2019-20 and 2020-21 can be carried back against profits made in or after 2018-19. If you are eligible, you can elect to receive a refund when you lodge your 2020-21 return.

Extended tax concessions

Businesses with turnover of up to \$50 million (up from \$10 million) can now take advantage of tax concessions allowing an immediate deduction for eligible start-up expenses (such as professional fees and accounting advice) and prepaid expenditure incurred after 1 July 2020.

From 1 April 2021, you can also claim an exemption from the 47 per cent FBT on any car parking or multiple work-related portable electronic devices (such as phones and laptops) provided to your employees.



Defer assessable income

Despite the difficult trading conditions, some businesses may need to consider deferring assessable income into the next tax year. Businesses wishing to delay paying tax on their income could review the potential benefits of deferring invoicing until after 30 June to ensure income from any payments is not assessable until the following financial year.

Undertake a stocktake

Over the next few months, identify and dispose of any obsolete, slow-moving or damaged stock so you can claim a tax deduction for the write-off. This process can also provide valuable information for your year-end operational review and subsequent plans for strategic direction or product changes.

Employee super contributions

If you make Super Guarantee (SG) contributions for your employees, make these payments before 30 June to ensure the business qualifies for the relevant tax deduction and avoids an SG Charge (SGC) liability.

Since the SG Amnesty finished in September last year the ATO has been signalling it will be much more active in checking compliance in this area, making it important to ensure your reporting and payments are up to date.

Consider your personal tax

Now is also a great time to review your personal tax preparations for 30 June. Look at personal tax decisions such as implementing a salary sacrifice arrangement for the remainder of the tax year, making personal super contributions and collecting the necessary paperwork to substantiate work related deductions.

Contact the ATO

If you are struggling to stay on top of your tax obligations due to the pandemic, consider contacting the ATO to discuss deferring your tax payments or varying your quarterly PAYG instalments. You can also apply to move your GST reporting cycle from quarterly to monthly to gain faster access to GST refunds.

If you would like help getting your business ready for tax time, call our office today.

Checklist for tax time 2021

- Gather your JobKeeper documentation and payment information
- Collect documentation for any government support you have received
- Check your STP reports are updated
- Ensure your paperwork is ready to make your STP finalisation declaration by 14 July 2021
- Make any necessary payments for PAYG withholding, income tax and GST
- Ensure you have copies of all necessary documentation (invoices, bills and payments, bank records, BAS, employee payments and PAYG withholding records etc.)
- Check you can substantiate any tax deductions you plan to claim (vehicle logbooks, receipts, travel diaries etc.)
- Consider strategies to reduce your taxable income, such as claiming a deduction for prepaid expenses like rent or insurance
- Pay SG contributions and lodge your quarterly reports
- Decide on and pay any claimable expenses before 30 June
- Calculate the depreciation on your capital assets
- Write-off bad debts or obsolete stock
- Check if you can claim any work-at-home expenses and decide on the method (shortcut or fixed rate)
- Collect all the necessary documents if you paused your business during 2020-21
- Assess your business performance, prepare a budget, and review your wages, prices and fees for the new financial year
- Remind your employees they won't receive an annual payment summary and now require a myGov account to download them.



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