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S&B MULTISTRADA

BUSINESS BULLETIN WINTER 2023

BUDGET 2023

On the 9th of May Treasurer Jim Chambers handed down the 2023/2024 Federal Budget aimed at addressing challenging issues including higher interest rates, inflation and cost of living pressures. Following is a collection of some of the headline announcements that apply to Business.

Instant Asset Write-off Extension

Small businesses, with aggregated turnover of less than $10 million, will be able to immediately deduct the full cost of eligible assets costing less than $20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024. The $20,000 threshold will apply on a per asset basis. Assets valued at $20,000 or more can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

Small Business Energy Incentive

An additional 20% tax deduction will be given to small and medium businesses with an aggregated turnover of less than $50 million for the first $100,000 of expenditure in depreciating assets which support electrification and energy-efficient processes. Eligible expenditure will include investment in electrifying heating and cooling systems, upgrading to more efficient fridges and induction cooktops and installing batteries and heat pumps.

KEY DATES

21 JUNE

Due date for May monthly Activity Statements

30 JUNE

Super guarantee contributions must be paid & received by the trustee of the employees superfund to qualify for a tax deduction in the 2022–23 financial year.

21 JULY

Due date for June monthly Activity Statements

28 JULY

Due date for Superannuation Guarantee contributions June Quarter

28 JULY

Due date for 4th Quarter Activity Statements (if lodging by paper)

21 AUGUST

Due date for July monthly Activity Statements

FBT Exemption for plug-in hybrid cars scrapped

The FBT exemption for eligible electric cars will no longer apply to plug-in hybrid cars from 1 April 2025.

Lodgement penalty amnesties

For small businesses with an aggregated turnover of less than $10 million, failure to lodge penalties will be remitted for lodgments taking place in the 7 month period from 1 June 2023 to 31 December 2023 where the original lodgment was due between the period from 1 December 2019 to 28 February 2022. The aim of the incentive is to encourage re-engagement with the tax system with those that may not be fully engaged.

Superannuation contributions to be paid on payday

From 1 July 2026, employers will be required to pay their employee's superannuation at the same time as their salary and wages. The measure has largely come about due to unpaid superannuation contributions being a chronic issue in the system. To further strengthen the system, the ATO will receive additional resourcing to help it detect and act on unpaid superannuation payments.

Expansion of ATO Compliance activities

Significant further funding will be provided to the ATO to expand compliance programs targeting high-value or aged tax debts for certain taxpayers, superannuation guarantee compliance, GST compliance and financial crimes.

GET YOUR YEAR END IN ORDER

30 June is just around the corner and now is a great time to give thought to any year end tax saving measures you may be able to use. Here is a hit list of a few for you to have a think about and chat to your advisor about.

1. Take advantage of the Temporary Full Expensing – On 30 June 2023 the Temporary Full Expensing measures will cease. You can still claim a full write-off for eligible assets as long as the assets are first used or installed before 30 June 2023. Merely contracting for the purchase of an asset, or even becoming the owner of the asset by 30 June 2023 is not sufficient. The asset must be installed ready for use or in use at that date.

2. Review your Debtors – Review your debtors with your Bookkeeper and look to write off any unrecoverable debts. These debts will come off your income in the year in which you write them off, regardless of the year they were invoiced.

3. Review your Stock on Hand – If you operate a business that deals in stock or inventory, then review your stock valuation and write off any stock that is damaged or obsolete. Complete a stock take and remember that stock can be valued at the lower of cost or net realizable value. Small businesses can avoid doing a formal stock take if the balance of their stock has not changed by more than $5,000 in the last year.

4. Maximise Superannuation Contributions Contributing to superannuation can not only help you fund your retirement, but it can also provide immediate tax benefits. Depending on your circumstances you may be eligible to claim a deduction for personal contributions you make to your super fund, or your business may be able to make deductible contributions on your behalf. The maximum concessional super contribution cap for the 30 June 2023 Financial Year is $27,500. There are also rules that allow a bring forward of past year unused caps which means you may be able to contribute and claim more than the annual cap. It is a tricky area so make sure you speak with your advisor regarding eligibility.

5. Review your Business and Investment Structures – It is a good time to take stock of your structures and ensure your current structures are still suitable for your needs. It may be that your business has experienced growth which sees the current structure not best practice, or perhaps you are looking to wind structures down as you head toward retirement. Importantly asset protection should be a key consideration when looking at your Business structures and the separation of assets and investments from trading structures.

SUPER MATCHING - SUPER STORM COMING

ATO is readying to collect on $4 billion in underpaid or late superannuation. A renewed government focus plus Federal Budget funding will enable account matching technology to compare STP reported super with that supplied to the ATO by super funds at scale. The foundations have been set to reverse a decade long ATO tradition of wrist slapping for superannuation errors and a reactive approach to SG compliance.

The ATO new tech initiative announcement follows a raft of others last year, showing them cracking down on small business debt. Within the same context of post-pandemic enthusiasm to recoup tax, it is predicted the ATO is equally reading themselves to collect for employees on the estimated near $4 billion in under paid superannuation.

The Member Account Transaction Service has superannuation houses providing details of superannuation payments to the ATO. For those businesses who are found to have not paid, paid incorrectly, or paid late, heavy penalties could be applied. STP reporting provides the ATO with a clear line of sight to the super that should have been paid.

What the ATO did identify was that through the use of STP data matching with Member Account Transaction Service data they will move from a reactive approach to a proactive approach in undertaking ATO Initiated audits rather than relying on employees to "dob in" the employer when failing to pay SG.

What does this mean for you?

The single biggest impact this data matching process will have on your business is having to deal with the Super Guarantee Charge if you are found to have done the wrong thing and not met your obligations on time and in full.

The Super Guarantee Charge (SGC) is a punitive measure that impacts the employer in the following ways:

- the super (10.5%) & penalties are not tax deductible;
- the employer must pay notional interest (in place of earnings that would have accrued had the Super Guarantee (SG) contribution been made on time) and an administration fee ($20 per employee, per quarter);
- there are further penalties for late payment and failure to lodge a SGC statement;
- the shortfall in super contributions is based on 'salary & wages' which is potentially higher than Ordinary Times Earnings (OTE); and
- the employer will have to put time into preparing the SGC statement.

Does paid mean paid?

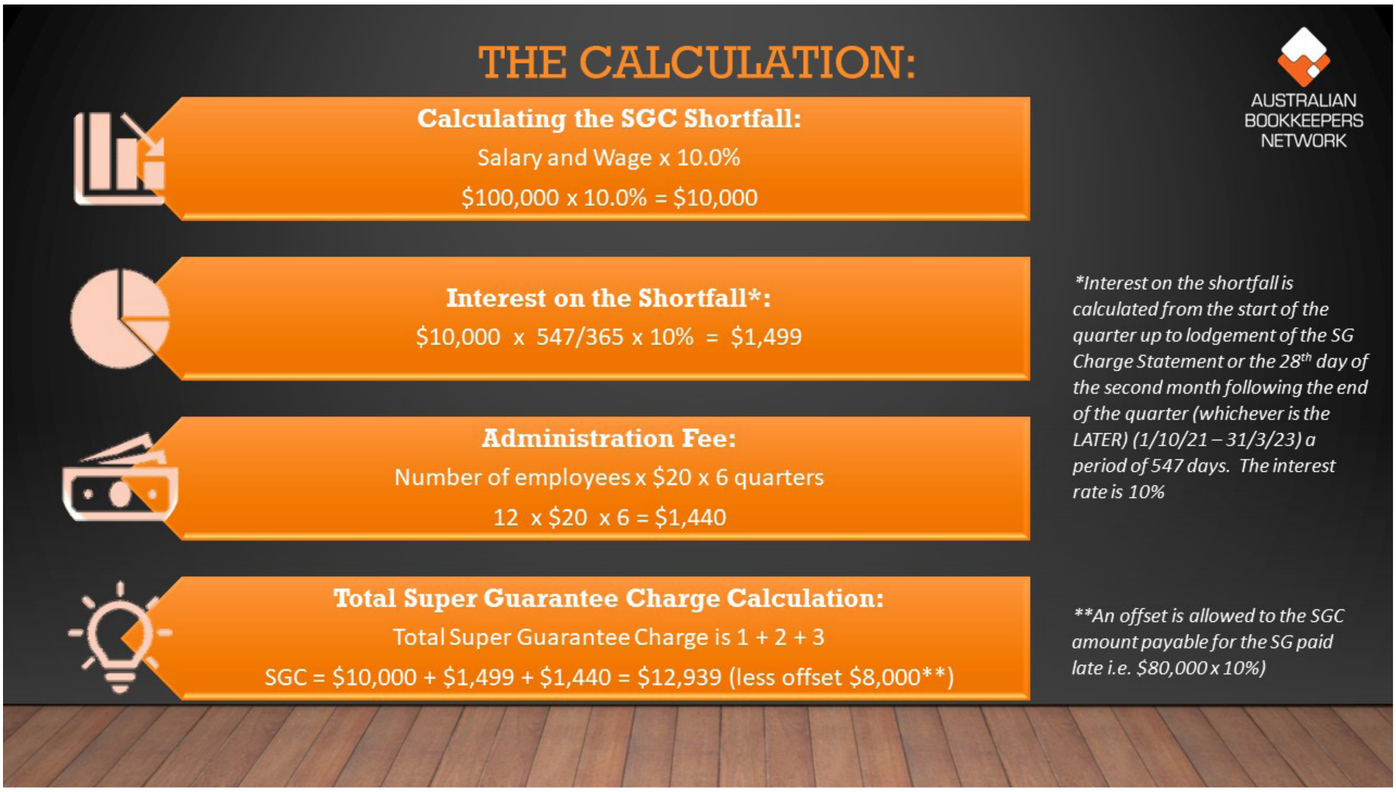
The simple answer is no! As an employer you could be caught out even though you paid the SG before the lodgement due date. The popular accepted perception of due dates for payments for SG is the 28th day following the end of each calendar quarter. The reality is that the legislation makes it clear that SG is not deemed paid until it is received by the trustee of the employee's super fund. This means that the employer has to allow enough time for a payment to clear their bank account, pass from the clearing house they use and into the trustee's hands for the employee's super fund. How long can that take? A few days up to a couple of weeks is the reality. This leaves employers in an invidious position of being accountable for delays in processing of SG contributions, even though it is totally outside their control. There is one exception to this and this is only where an employer uses the ATO Sponsored Small Business Superannuation Guarantee Clearing House. In this case, and only in this case, the superannuation is deemed paid when it is received by the Clearing House.

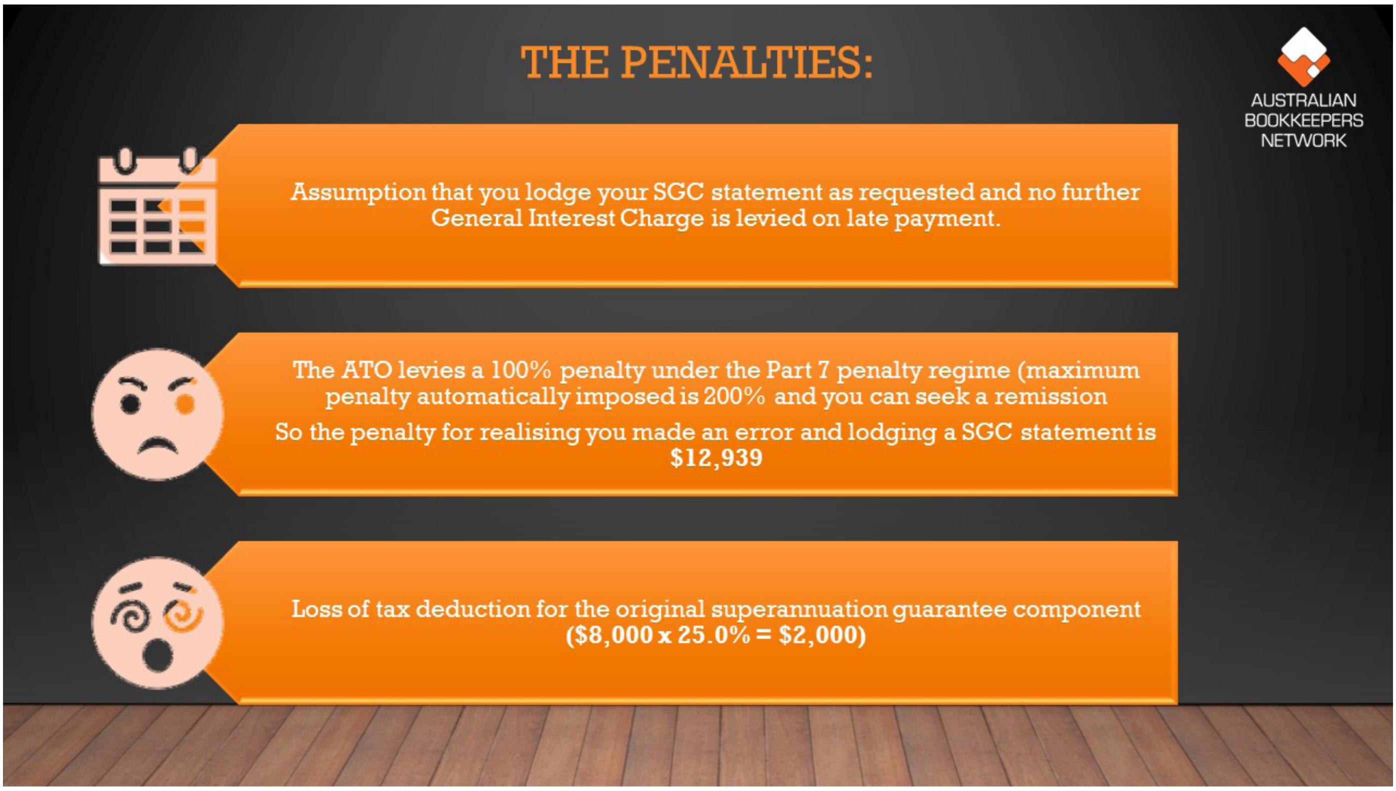
The best way of understanding the impact to your business where there has been a failure to meet SG contributions is by taking a look at the following example.

Example: Super Guarantee (Late Payments)

Joe's café pay their Super Guarantee for the December 2021 quarter 1 month late. They were advised by their bookkeeper that they now have an obligation to lodge a Super Guarantee Charge Statement and pay SGC. Joe Ignored that advice as in his mind the employee's had received their Superannuation and what did it matter if it was only 1 month late.

Fast forward to February 2023 and the ATO undertakes a data matching exercise and detect the late payment and require lodgment of an SGC Statement. Joe has no choice and completes the SGC statement on 31st of March. Total wages for the quarter in question was $100,000 and includes overtime for some of the 12 employees. Ordinary Time Earnings for the same period was $80,000 which was the amount the SG late payment was based on.





Conclusion

Had Joe paid the superannuation on time (which in this example was 1 month earlier) the total after tax cost of the superannuation for the quarter was $6,000. After estimated penalties at 100% (it could be more or less than this) the total cost of the Super Guarantee Charge to Joe is $25,878 – almost $20,000 more than had he made the original payment on time.

The takeaway is that the ATO is getting serious about employers who either don't pay their superannuation guarantee commitments or pay them late. If your business falls into either of these categories, it is only a matter of time until you attract the attention of the ATO. Make no mistake, this will be very costly for a business who has failed in this area. It is a great time to talk to your bookkeeper to plan how you can ensure you never fall into such a category.