

# R & G TAX REPORT

July 2004

## Tax News, Views and Clues

### Preparing your YEAR END documents

Preparing your end of year documents and information prior to coming to see us will save you time and money.

Here is a general list of what to prepare for **your business**:

- Accounts data file (MYOB, Quickbooks)
- Debtors & creditors trial balance
- Stock take if applicable
- June 30 statements on all relevant loan accounts
- Documents on new assets bought or sold
- Copies of your activity statements for the past year
- Payroll records
- Bank statements on operating accounts
- Cash book (if required)
- June 30 statements on any investment accounts

And if we are preparing your **individual tax return**:

- PAYG Payment Summary
- Tax statements of managed fund investments
- Interest income from banks and building societies.
- Dividend statements for dividends received
- For share sales or purchases, the purchase and sale contract notes.
- For real estate, the solicitor's correspondence for the purchase and sale.
- Donations to charities
- Work related expenses
- Travel expenses
- Health insurance and rebate entitlement
- Family Tax Benefits received
- Medical expenses if over \$1,500
- Rental property statements from real estate agent and details of other expenditure incurred.
- IAS statements or details of PAYG Instalments paid

### Tidying up the GST

The easiest way to trigger a GST audit is to put in a tax return with different financial information to what you have remitted every quarter in your Activity Statement. Problems can often occur when your accounting software is updated with new information after the end of the quarter.

Another trap that businesses easily fall into is forgetting to remit GST on one-off transactions like the sale of equipment or trading in a car. Often a business will bank the income but forget about the GST implications of the transaction. Take a look and see if the GST has been accounted for.

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## **Annual PAYG withholding reconciliation**

You will need to lodge your annual PAYG Payment Summary Statement for this financial year with the ATO on or before 14 August 2004.

PAYG Payment Summaries (formerly group certificates) should be provided to all employees on or before 14 July 2004.

If we normally prepare the PAYG Payment Summaries on your behalf, you will need to forward us:

1. 2004 salary and wage records;
2. Annual PAYG Payment Summary Statement;
3. PAYG Payment Summaries; and
4. Details of the PAYG amounts paid to the ATO (from your BAS/IAS's).

### *Reportable Fringe Benefits*

Where you have provided Fringe Benefits to your employees in excess of \$1,000 (GST inclusive), you need to report the FBT grossed up amount on their PAYG Payment Summary.

This is referred to as a 'Reportable Fringe Benefit' (RFB) amount and you'll notice that a label has been included on the PAYG Payment Summary for this purpose. Where an employee has a RFB amount then that amount must be reported in their personal income tax return for the year ended 30 June 2004.

## **Shareholder loan accounts**

An overdrawn or 'debit' loan account can often occur where a shareholder (in their capacity as a shareholder, not an employee) pays their personal expenses using company funds.

Where there is an overdrawn or debit loan account at 30 June 2004, the ATO will deem this excess as an unfranked dividend paid to that shareholder unless legal loan agreements and documentation are in place prior to the funds being advanced to the shareholder.

In other words, unless there are loan agreements supporting the debit loan account the dividend will need to be declared as income in the shareholder's personal tax return. It also reduces the company's franking account balance.

In the May Commonwealth budget, the Government has provided an extension until the due date of the lodgement of your company's tax return to repay any debit loans or put these loans on a commercial footing.

## **Alienation of Personal services income**

If you are in a business where you are the only income producer and where your income is earned from personal services work, you need to be aware of the rules surrounding alienation of personal services income.

If your business earns personal services income, unless certain conditions are met, the ATO will treat any income as income earned by you rather than income earned by the business. This means that the personal tax rates apply to this income and you will be denied access to a range of tax deductions normally available to business.

If you believe you might fall into this category, please call us today to clarify your position.

## **Superannuation**

It's almost been a year since the move to quarterly superannuation guarantee payments and reporting. You need to make sure that you are up to date with both your payment and reporting obligations. Remember 28 July is the final date for payment of your June quarter commitments.

While we're on superannuation, if you have a Self Managed Superannuation Fund, make sure that any expenses of the fund are paid by the fund (not the business). You cannot claim expenses paid on behalf of the fund as a contribution and the ATO will deny any contribution made in this way.

## **Quote of the month**

The way a team plays as a whole determines its success. You may have the greatest bunch of individual stars in the world, but if they don't play together, the club won't be worth a dime. *Babe Ruth*