

Q3 2019

## Are you eligible for the small business income tax offset?

*The small business income tax offset can reduce the tax that an eligible business pays by up to \$1,000 each year.*

Also known as the unincorporated small business tax discount, the offset is calculated on the proportion of tax payable on your business income. The rate of the offset is 8% up to the end of the 2019-20 income year. It will increase to 13% for the 2020-21 income year, and again to 16% for 2021-22 and onwards. The maximum offset you can receive is \$1,000.

To be eligible, you must be carrying on a small business as a sole trader, or have a share of net small business income from a partnership or trust. The business must have an aggregated turnover of \$5 million or less for the 2016-17 income year onwards.

### Sole traders:

Your net small business income is used to determine your income tax offset. It is calculated by the sum of your assessable income from carrying on your business, not including any deductions. Where your net small business income is a loss, it is treated as zero and you are not entitled to the offset. Eligible income and deductions you must include in your net small business income are:

- Farm management deposits claimed as a deduction.
- Net foreign business income relating to your sole trading business.
- Other income or deductions such as interest or dividends obtained in the course of your business.

You cannot include certain income and deductions in working out your net small business income, such as:

- Net capital gains made from carrying on your business.
- Salary and wages.
- Interest and dividends unless it's related to a business activity.

### Partnerships and trust distributions:

Having a share of net small business income distributed from a partnership or trust that is a small business entity can make you eligible for a tax offset. You may also be eligible if you are a partner or beneficiary of a small business partnership or trust, or if you have assessable income that includes a share or distribution of net income from that partnership or trust. A statement of distribution or advice from the partnership or trustee will document your share of net small business income. While your share can't be a loss, it can be zero for you to claim the offset.

The ATO calculates the tax offset using the information that you provide in your income tax return, which is then shown on your notice of assessment. To assist those completing their tax return using myTax, the ATO provides a small business income tax offset calculator. This assesses the income amounts that are to be used to work out the tax offset and informs the taxpayer where to include the information in their tax return.



## INSIDE:

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## Maximising your tax deductions as a home-based business

*Small business owners may be able to claim deductions for the costs of using their home as a principal place of business when filing their income tax return.*

Tax deductions may be claimed for the business portion of household expenses, however, it can be difficult to ensure you are claiming expenses you are entitled to. How you operate the business out of your home will determine the types of expenses that may be claimed. Your business structure will also affect your entitlements and obligations when claiming deductions on home-based business expenses.

Individuals that operate a business as a sole trader or partnership are entitled to claim a deduction for the costs of conducting business from home. There are two types of expenses that can be claimed, running expenses or occupancy expenses. Typically, those that are eligible to claim occupancy expenses can also claim running expenses.

Running expenses refer to the increased costs of using your home's facilities for the running of your business, including:

- Repairs to your business equipment.
- Heating, cooling and lighting a room.

- Cleaning.
- Phone and internet.
- Depreciation of business furniture and equipment.

To calculate the running expenses of your home-based business, you must ensure that you exclude your private living costs and that you have records to show how you calculated the expense.

Occupancy expenses are those that you pay to own or rent your home, including:

- Mortgage interest or rent.
- Land taxes.
- Council rates.
- Insurance.

Occupancy expenses are calculated based on the floor area of your home that is used for the business and the portion of the year that it was used.

Small business owners should note that capital gains tax (CGT) payments may be required for periods when your home was used for business. However, CGT won't apply if you operated your business from a rented home, didn't have an area specifically set aside for your business activities or the business was run through a company or trust.

Records that need to be kept include written evidence, tax invoices and receipts, and should substantiate your claims for all home-based business expenses.



## Introducing MyGovID and RAM

*AUSKey will be retired in March 2020 to make way for the new online services systems the ATO is developing, "MyGovID" and Relationship Authorisation Manager (RAM).*

MyGovID is an authentication service that will allow individuals to prove who they are online. This system will work by establishing your identity once online and then using your



myGovID credentials to access government services you need. MyGovID will feature facial recognition, ability to scan identity documents and options to add or remove multiple devices.

Relationship Authorisation Manager (RAM) is an authorisation service that allows you to link your myGovID to an ABN, managing authorisations across government services for businesses and their staff. RAM gives you the ability to add multiple businesses, access the business portal on behalf of multiple businesses, modify authorisations, customise and delegate the level of business authorisation for employees and nominate who can act on behalf of your practice.

MyGovID and RAM are currently available in a public beta. Eligible businesses can access the ATO Business Portal and it will soon be available through online services for agents. AUSKey can still be used to access online ATO services while myGovID and RAM are being developed.

The ATO advises that in preparation for the changes you check your ABN details are up-to-date in the Australian Business Register (ABR).

## What is SBSCH?

*The Small Business Superannuation Clearing House (SBSCH) is a free service you can use to make super guarantee (SG) contributions.*

Businesses with 19 or fewer employees or an annual aggregated turnover of less than \$10 million are eligible to use this service. Your business can pay required SG contributions as a single electronic payment to the SBSCH, the payments will then be distributed to each employee's super fund.

The SBSCH allows you to pay using the SuperStream method, with money and data being sent electronically. It also enables you to nominate a regular contribution amount for an employee, make all super contributions in one transaction, access your transaction history and ensures all your SG obligations are met as soon as your payment and instructions are accepted by the SBSCH.

You can access SBSCH through the Business Portal (BP) if you are a business with an ABN, or ATO Online Services using myGov if you are a business or sole trader with an ABN or withholding payer number (WPN) but no BP account.

## The legal obligations of marketing

*Businesses must be mindful of the relevant regulations when setting prices and advertising products or services to ensure they aren't misleading their customers.*

Like many other areas of business, marketing efforts are regulated and need to comply with the legal requirements.

### Advertising:

When promoting products or services, businesses must ensure that any branding, statement, quote or other representation is not false or misleading. There are some tactics businesses use to try to advertise products that make them more appealing but don't necessarily give the full picture, such as:

- Component pricing; when the price of a product or service is advertised or displayed in separate parts. When advertising uses component pricing, companies must also provide the full price inclusive of additional costs in a prominent way.
- Bait advertising; where a product is advertised at a certain price without a reasonable supply. Bait advertising is illegal if a business sells the product knowing that they cannot meet expected demand.

Being aware of advertising regulations is an important aspect of running a business to its full potential.

### Email marketing:

There are specific Australian email marketing laws and standards of practice that must be adhered to when developing an email marketing service for your business. The Spam Act 2003 governs email marketing and messages sent via SMS, MMS and instant message in Australia. The Act covers three main areas:

- Consent; you must have consent from the recipient in order to send a commercial electronic message that offers, advertises or promotes the supply of goods or services. Consent can either be expressed (the recipient has deliberately opted-in to receive emails) or inferred consent (refers to the relationship between the sender and the recipient, e.g. subscriptions).
- Identification; the sender of the communication must identify themselves and provide accurate contact information that is valid for at least 30 days after the message is sent.
- Unsubscribe options; there must be an unsubscribe option for emails or an option to opt-out of other electronic messages.

Factual messages such as emails that provide a price, product description or quote to a customer are exempt from the Spam Act as their purpose is not promotional.

### Signage and brochures:

Before you place a sign, you need to apply for a permit for display from the state or territory government and in some circumstances may also require public liability insurance. Signage includes 'A' frames, sandwich boards, or permanent signs on buildings, footpaths or roads.

Handing out brochures, flyers or promotional materials on public property also typically requires a permit. Under state environmental protection legislation, it may be illegal to place advertising material on a vehicle. Both permits can be downloaded through the ABLIS website for the relevant state or territory.



## The art of effective negotiation

*Effective negotiation strategies leave all parties satisfied while improving and maintaining personal relationships.*

The key to success is remembering that everything is negotiable, and to get a deal you must ask for one. Negotiating is not always a straightforward process, with many people even finding it uncomfortable. It doesn't have to be this way, as there are many different styles of negotiating you can use to find a solution. In order to effectively negotiate and improve your chances of maintaining positive relationships, the key is to focus on three main areas.

### People:

Separating people from the issues will benefit your negotiation strategies. Ensure that each party understands the other's perception of what is involved, and what each person expects from the negotiation. Identify the underlying emotions

on both sides, and acknowledge them in your discussion. Listen actively and speak to be understood, not merely to argue a position.

### Options:

Work with the other party to come up with a variety of options. You may look for areas of agreement by identifying shared interests. Think of ways that you can compromise differing interests by exploring options that are of low cost to you and high benefit to the other party, or vice versa.

### Criteria:

Insist on negotiating within a mutually agreed upon standard of fairness in order to avoid conflict. By developing an objective criteria prior to negotiation, it will allow you to come to an equitable final agreement. The criteria may involve historic precedent, industry best practices, market value or legal rulings.

Negotiating within these standards can help to eliminate emotional bias, and is crucial to establishing a foundation of trust on which you can then build a relationship.

## We are here to help

Make use of us! This guide is merely a starting point, designed to help you identify areas that might have a significant impact on your personal and business planning.

We are always pleased to discuss matters with you and advise in any way we can.



## Correcting a TPAR lodgement

*Taxable Payments Annual Report (TPAR) are to be lodged by 28 August each year.*

The TPAR is an industry specific report for businesses who are required to report the total payments made to contractors for their services. This report allows the ATO to improve compliance with tax obligations by comparing the payments made by one contractor against the tax returns of the people they are in turn paying.

Businesses in industries such as building/construction, cleaning, courier, road freight, information technology (IT), security, investigation or surveillance or a mix of these services, are required to lodge.

After lodging, if you have found some information reported is incorrect or you need to add a new payee, you will need to inform the ATO. Instances that need to be reported are:

- Providing incorrect amounts in any of the amount fields – Total GST, Gross amount paid or Total tax withheld where ABN was not quoted.

- Providing an incorrect ABN or name in the payer or any of the payee fields.
- You need to add a new payee.

It is unnecessary to report if the only items wrong are payer or payee addresses or phone numbers.

A fully amended TPAR does not need to be submitted if your original report only had one or more incorrect ABNs or names (for either the payer or payee). Instead, you can correct this by sending the ATO:

- Your ABN, name, contact details.
- The year of the annual report you want to be corrected, the payee and/or payer details that were reported and need to be corrected.
- The payee and/or payer details as they should have been reported, and;
- A reason for the change or explanation of how you made the mistake.

Reports lodged online using business

software that offers TPAR can generate amended reports using the software. If not reported online, you can amend the report with the TPAR online form available through ATO online services and the ATO Business Portal, a paper form Taxable payments annual report (NAT 74109) or tax and BAS agents can lodge amendments for their clients.



### Important tax dates

#### 14 AUGUST

Lodge PAYG withholding payment summary annual report for large withholders whose annual withholding is greater than \$1 million.

#### 21 AUGUST

Lodge and pay July 2019 monthly business activity statement.

#### 25 AUGUST

Lodge and pay quarter 4, 2018–19 activity statement if you lodge electronically.

#### 28 AUGUST

Lodge and pay quarter 4, 2018–19 Superannuation guarantee charge statement – quarterly if the employer did not pay enough contributions on time.

## Perfecting your pitch

*The sales pitch of a product or service can make or break a prospective sale. An effective sales process is essential to any business.*

When planning a pitch to a potential client, don't treat the meeting as if you have already made the sale. Instead, take a moment to focus on the client and what you can do for them, how you can actually help them and how to convey this through your pitch.

#### Remove agendas:

Prospects can often identify when a sales pitch is running off an agenda. The seller can come across as pushy, they don't match the prospect's concerns with the product or service on offer, and they don't give the prospect much time to talk. This approach can appear insincere and impersonal, thereby creating the opposite effect and driving the prospect away.

#### What do they want?

Approach the potential client with questions about what their desires, concerns and challenges are. Find out what is important to them and what their expectations are. You can then go on to demonstrate how your product or service is suitable by clearly outlining their advantages. Benefits, such as saving time, money or effort, can help to demonstrate why you are best equipped to help them.

#### Highlight value:

Value is a critical factor in a prospect's purchasing behaviour. Using value-based selling can be helpful at generating more sales as it focuses on addressing the prospect's problems by showing them the benefits of your product/service. An emotional appeal in your campaigns also helps to better connect with your customers and ultimately drive sales. If your products or services aren't a solution for them, provide alternatives or come to a compromise to ensure that both parties are happy.

#### Give evidence:

Sharing positive feedback from existing customers is a great way to demonstrate credibility and gain the trust of prospective customers. Asking for a referral or feedback, or using customer satisfaction surveys can help to boost your business' reputation and also provide insight into what's working and what needs to be improved. Creating a referral program where the referring customer gains a discount or reward is a good way to boost your word-of-mouth marketing. Not only do you benefit from the new customer but it gives your existing customer an incentive to spread the word.