

2019 EOFY Tax Compliance Checklist

With the end of the 2019 financial year approaching, business owners should now be focusing on end of financial year tax compliance matters which include:

PAYG payment summaries

When your business will commence reporting Single Touch Payroll (STP) on 1 July 2019 (see below), employees need to be issued with their 2019 Payment Summaries by Monday 15 July 2019. Ensure that salary sacrifice superannuation contributions and certain reportable fringe benefits have been included on the PAYG Payment Summaries

Also the 2019 PAYG Payment Summary Statement needs to be lodged with the ATO by Wednesday 14 August 2019.

If your business is already reporting to the ATO via STP, you are exempt from providing payment summaries to your employees and from lodging a PAYG payment summary annual report for the amounts you've reported through STP as long as you undertake the finalisation declaration by the prescribed date. You will have up until 31 July to 'finalise' your employees' EOFY payroll information through your STP enabled payroll software.

Your employees will be able to access their annual income statement online via myGov under the employment tab. You can provide a copy of the income statement to an employee, but there is no legal requirement to do so.

Taxable payments annual report (TPAR)

Businesses that operate in the following industries need to lodge the annual TPAR by 28 August 2019:

- Building & construction services
- Cleaning services
- Courier services

The TPAR informs the ATO about payments made to contractors for providing the above services to your business.

Contractors include subcontractors, consultants and independent contractors. They can be operating as sole traders (individuals), companies, partnerships or trusts.

Note from 1 July 2019, the TPAR has been extended to the following industries (first report due by 28 August 2020):

- Road freight services
- Information technology (IT services)
- Security, investigation or surveillance service

Single touch payroll

Single Touch Payroll (STP) is changing the way employers report their employees tax and super information to the ATO.

STP for businesses with 20 or more employees started on 1 July 2018, so relevant businesses should already be reporting STP through their payroll software.

For businesses with 19 or fewer employees, reporting can start anytime from 1 July to 30 September 2019. If you already use payroll software which offers STP, you can update your product and start reporting early.

In addition, for businesses with 4 or less employees (defined as micro employers) who don't currently use payroll software, the ATO has provided a list of software developers who offer low cost STP solutions to make the transition smoother.

Stocktake

Businesses that buy and sell stock generally need to do a stocktake at the end of each financial year as the increase or decrease in the value of stock is included when calculating the taxable income of the business.

If your business has an aggregated turnover below \$10 million, you can use the simplified trading stock rules. Under these rules, you can choose not to conduct a stocktake for tax purposes if the difference in value between the opening value of your trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year is less than \$5,000. You will need to record how you determined the value of trading stock on hand.

If you complete a stocktake, you can choose one of three methods to value trading stock:

Cost price – all costs connected with the stock including freight, customs duty, and if manufacturing, labour and materials, plus a portion of fixed and variable factory overheads, etc.

Market selling value – the current value of the stock you sell in the normal course of business (but not at a reduced value when you are forced to sell it).

Replacement value – the price of a substantially similar replacement item in a normal market on the last day of the income year.

A different basis can be chosen for each class of stock or for individual items within a particular class of stock. This provides an opportunity to minimise the trading stock adjustment at year-end.

There is no need to use the same method every year. Businesses can choose the most tax effective option each year. The most obvious example is where the stock can be valued below its purchase price because of market conditions or damage that has occurred to the stock. This should give rise to a deduction even though the loss has not yet been incurred.

Recordkeeping

Ensure that your records are compliant with the ATO. The ATO requires businesses to keep records for at least five years. Records can be kept in paper or electronic format. More businesses are choosing to go paperless, so consider if this is something you would like to implement from 1 July 2019 in addition to using online accounting software.

Trust distribution resolutions

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2019 at the latest. Decisions made by the trustees should be documented in writing preferably by 30 June 2019.

If valid resolutions are not in place by 30 June 2019, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax of 45% would normally apply)..

Payroll tax annual reconciliation

Payroll tax is a state tax that applies to all employers (or group of employers) that have total taxable wages which exceeds the threshold amount.

Each state and territory has its own payroll tax legislation with different rates and thresholds. The definition of taxable wages also differs between each state and territory.

For example businesses (including related entities) that operate in New South Wales are liable for payroll tax at the rate of 5.45% on wages that exceed the threshold of \$850,000 for the year ended 30 June 2019.

The annual payroll tax reconciliation for the 2018/19 year (if registered for Payroll Tax) is due by Monday 22 July 2019.