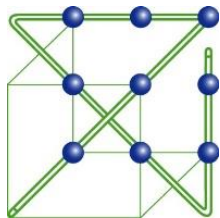


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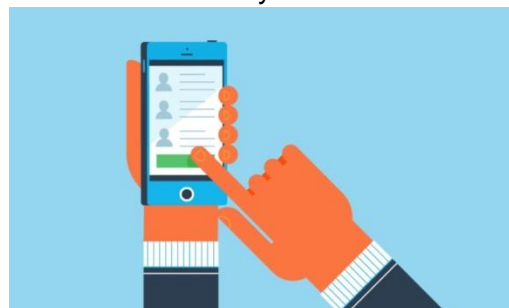
## Business Advisor - January 2019

### *Single Touch Payroll*

Single Touch Payroll (STP) reporting commenced on 1 July 2018 for employers with 20 or more employees. Using payroll or accounting software that offers STP, these employers are required to send their employees' tax and super information to the Australian Taxation Office (ATO) each time they run their payroll and pay their employees.

Legislation to extend STP to include employers with 19 or less employees is currently before parliament. For now, smaller employers can choose to report through STP; the ATO advises they will not force these employers to purchase payroll software if they don't currently use it and have asked software developers to build low-cost STP solutions at or below \$10 per month.

Micro employers (1-4 employees) will also initially be allowed to use your registered tax or BAS agent to report quarterly rather than each time you run your payroll. Exemptions to STP reporting will also be available if you have no internet or an unreliable connection.



### *Simpler Depreciation for Small Business*

Small business (income less than \$10 million) may immediately deduct the business portion of most depreciating assets that cost less than \$20,000 each in the year bought and used, or installed ready for use. The business portion of depreciating assets that cost \$20,000 or more may be pooled to claim a 15% deduction in the first year (regardless of when purchased) and 30% deduction each year after the first year.



The current instant write-off threshold of \$20,000 applies until 30 June 2019 when it is expected to revert to \$1,000.

### *Superannuation Guarantee (SG) Amnesty*

You should be aware that under the current law, if you've missed a payment or haven't paid an employees' super on time, you are required to lodge an SG charge statement.

Although the amnesty legislation is still before parliament, the ATO advise that when passed, the proposed amnesty will be a one-off opportunity for employers to self-correct past SG non-compliance without penalty and the ATO will only apply the new law to voluntary disclosures during the period 24 May 2018 to 23 May 2019.



## Small Business Outlook 2019

The Liberal/National coalition has not had a majority in the House of Representatives for some time, such that it could implement its key policies – which have led to a lack of known parameters for the small business environment. This instability is unlikely to be cleared up until at least the federal election, which is to occur in the first half of 2019.

In spite of this lack of majority, the federal government has recognised the serious issue of funding availability for small businesses. In late 2018, it announced its “small business funding policy” with the aim of increasing funding availability. It is also hoped that the conclusion of the Royal Commission and subsequent firm ground rules for lending going forward will provide the bank’s increased confidence to lend more to the small business sector.

The weaker housing market in Australia is expected to continue into 2019. It cannot be underestimated as to the effect this can have on business and consumer confidence. Remaining economic factors are however generally stable or slightly improving. In particular a low cash rate, thus influencing a low cost of financing, is a positive for the small business sales market.



The number of small businesses listed for sale looks to have plateaued after several years of increase. Given the main factors affecting the market, it is viewed that there will continue to be a downward risk to prices of small businesses for the first six months of 2019. In the second half of the year, there are however reasons for optimism, following the federal election and if greater availability of finance becomes available. Sectors benefiting from the lower Australian dollar such as manufacturing, mining services and other exporters of goods and services should outperform the broader market.

## Political Outlook 2019

If it wins the impending federal election, Labor has confirmed it will abolish negative gearing for new investors wanting to buy existing properties. The opposition has also promised to improve housing affordability by halving the capital gains tax exemption from 50 to 25 per cent. Opinion is divided on whether Labor’s negative gearing policy will benefit the Australian economy with opponents of this policy asserting that anyone who owns their own house will see their house worth less under Labor and anyone who rents will end up paying more. Supporters, however, assert the existing tax arrangements played a major role in the property boom, driving up prices beyond the reach of first home buyers. Regardless of your position on the policy, there appears to be almost universal agreement that banks and lenders have acted far more conservatively than needed to restrict loan approvals with some experts espousing that many investors have already been driven out of the market by the banks’ tighter lending practices.



## Political Outlook 2019 (cont'd)

Another issue with tax implications is Labor's plan to introduce a standard minimum 30% tax rate from 1 July 2019 for discretionary trust distributions to adult beneficiaries. This would in effect remove the tax free threshold concession for non-working adult beneficiaries. Whether or not the above changes ultimately become law, discretionary trusts remain a useful tool for reasons other than having attractive tax consequences. These include succession and estate planning, asset protection, access to CGT discounts and flexibility as to the distribution of income and assets.

Finally, a note on dividend imputation credits. The amount of the dividend, plus franking credits, is added to your taxable income. Under the Labor proposal, the franking credits could still be used to reduce your tax payable, but if no tax is payable excess franking credits will not be able to be refunded to you. Supporters of this reform cite a statistic where Australia is the only OECD country with a fully refundable imputation credit system; a concession which costs the budget more than \$5 billion dollars per year.

## An Update on Our Business

You may not already know, but we have a Facebook page! Just search for *Con Galvin & Associates* in your Facebook search bar. Please like and share our page if you wish. By following us, you'll be the first to gain insightful information, enjoy hilarious jokes and receive reminders about your individual / business tax, activity statement and superannuation obligations. You might even hear about some of the interesting things our team members are doing!

Please update your records with the following emails as the old ones will be phased out shortly:-

Con Galvin	<a href="mailto:Con@congalvin.com.au">Con@congalvin.com.au</a>
Peter Kennedy	<a href="mailto:Peter@congalvin.com.au">Peter@congalvin.com.au</a>
Jody Baxter	<a href="mailto:Jody@congalvin.com.au">Jody@congalvin.com.au</a>
Stacy Lloyd	<a href="mailto:admin@congalvin.com.au">admin@congalvin.com.au</a>
Sophie Moffat	<a href="mailto:admin@congalvin.com.au">admin@congalvin.com.au</a>

Also watch out for a series of videos we will be releasing called *Tid-bits of a Mild Mannered Accountant*.

Our team wishes you a very Happy New Year and we hope your Christmas break was refreshing.

Please feel free to contact us if you have any queries regarding the information in this newsletter.



L-R: Peter Kennedy, Jody Baxter, Sophie Moffat (sitting),  
Stacy Lloyd, Con Galvin