End of financial year guide for small businesses

A step-by-step checklist to help you wrap up the 2017 / 2018 financial year

Reckon

Tax time made easy

The end of financial year is a busy and stressful time for small business owners. Getting your tax reporting right and in on time is crucial because you can't afford to have penalties from the ATO for not being compliant.

To help make it a little easier we've created an EOFY checklist with important dates, tips and strategies to help you stay in control and compliant with your tax obligations.

So, get organised now and get back to what you love doing — **building a great business!**

FOLLOW THESE STEPS

Before 30 June 2018

- [ ] Ensure your accounting file is locked off and all bank accounts reconciled
- [ ] Calculate your profit or loss for the year
- [ ] Determine whether you will owe tax to the ATO for the profit you have made
- [ ] Implement strategies to reduce this tax
- [ ] Begin to collate your 2017/2018 tax paperwork
- [ ] Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2018 for all Discretionary (“Family”) Trusts
- [ ] Business owners who have borrowed funds from their company must ensure that the appropriate principal and interest repayments are made by 30 June 2018
- [ ] Complete a stocktake

- [ ] List your vision or goals for the 2018/2019 year
- [ ] Review your prices or fees for the 2018/2019 year
- [ ] Review the wages and superannuation for the 2018/2019 year*
- [ ] Review contact cards particularly employees for current details*
- [ ] Prepare your budget for 2018/2019
- [ ] Consider mini budgets for sales lines, employee expenses, purchases and motor vehicles
- [ ] Review your business structure with your accountant, is it still appropriate for your needs?
- [ ] Review your accounting software needs, is it time to go to the cloud? What add-on options can make your business more efficient and free up your time?

*Particularly important if you have more than 20 employees as you are required to be STP (see Glossary) ready by 1 July 2018.

What is a tax planning strategy?

Paying tax is not necessarily a bad thing when you are running a business - it means you're making money! However, for most business owners paying tax is still a significant expense so you should only pay your fair share. This is where tax planning strategies come into play.

Tax planning is the process used by individuals and businesses to structure their finances to legally reduce the amount of tax you pay. Tax planning is largely focused on reducing your taxable income by reducing income and/or increasing expenses.

When implementing any tax planning strategies, it's important to keep in mind that any major asset purchases should be focused on generating income - the tax benefit should be secondary.

The below are examples of simple, smart and legitimate ways you can reduce the amount of tax you are required to pay.

Action before 30 June 2018

- Pay Superannuation Guarantee (SG) to obtain a tax deduction in this financial year (even though it isn't due until 28 July 2018)
- Make additional superannuation contributions up to your cap
- Review Accounts Receivable (Debtors) ledger and write off any bad debts
- Review stock on hand and write off slow moving or obsolete stock
- Review Work In Progress (WIP)
- Make tax deductible purchases such as accounting software and office expenses for items you will need before 30 June 2018
- Pay director's fees or dividends
- Pay staff bonuses

- Adjust owner’s wages
- SBE taxpayers
  - Defer receiving income
  - Prepay expenses for up to 12 months e.g. rent, insurance, interest, subscriptions, business travel
  - Purchase business assets and have them installed ready for use before 30 June 2018, if under $20,000 there’s an immediate tax deduction (this ends on 30 June 2019)
- Non SBE taxpayers
  - Defer invoicing
  - Prepay expenses up to $1,000

FOLLOW THESE STEPS

Before 31 July 2018

- [ ] Prepare Payment Summaries and provide to employees by 14 July 2018
- [ ] Pay Superannuation Guarantee (SG) for the quarter ended 30 June 2018 by 28 July 2018 (if you didn't pay before 30 June to get a tax deduction in the 2017/2018 year)
- [ ] Make sure your budget is inputted into your accounting file
- [ ] Make sure you have updated the pricing in your accounting file
- [ ] Make sure you have updated any employee remuneration in your accounting file

FOLLOW THESE STEPS

Before 31 August 2018

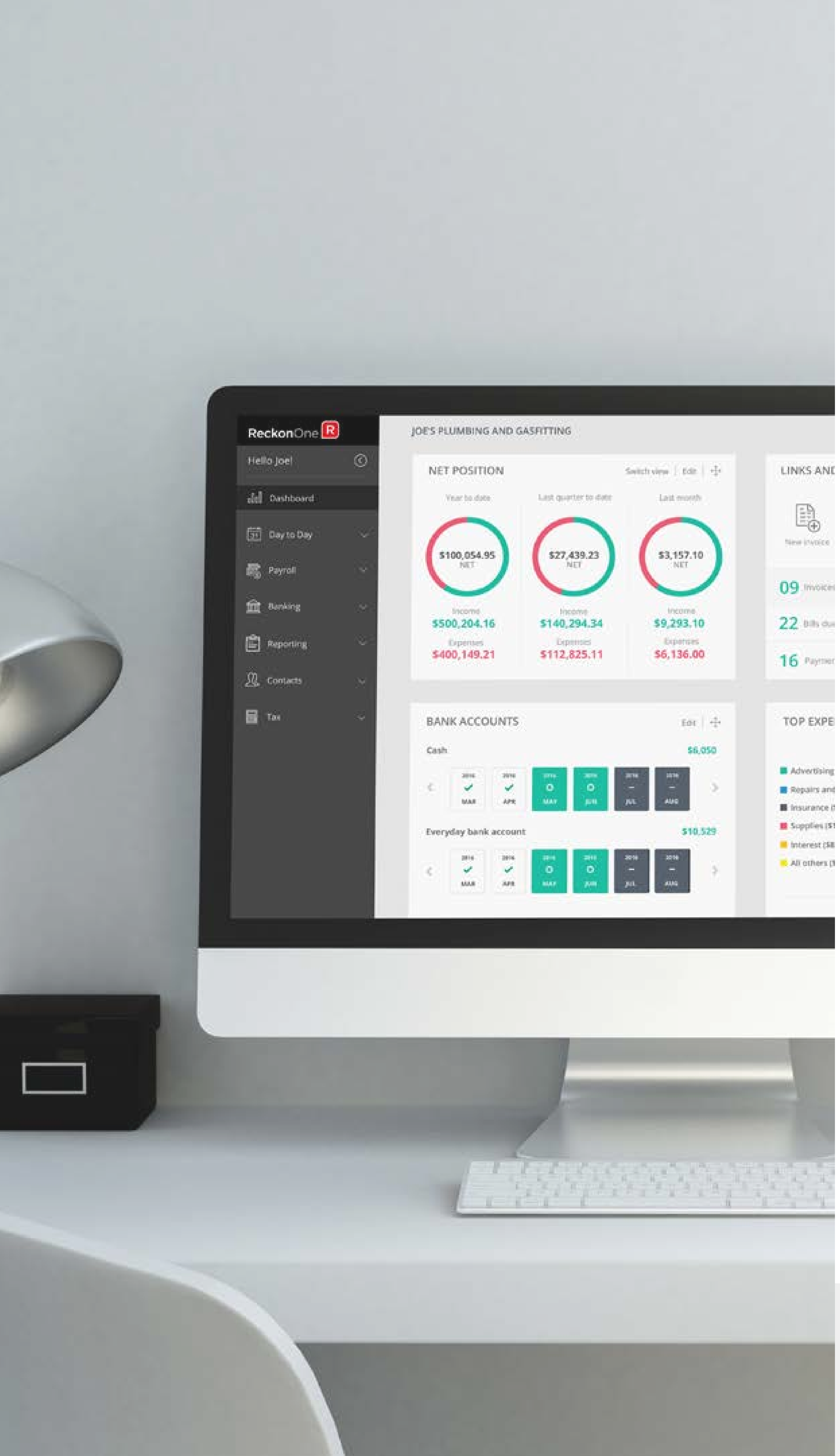
- [ ] Prepare ATO Payment Summary Report and submit to the ATO by 14 August 2018
- [ ] Prepare the ATO Taxable Payments Report and submit to the ATO by 28 August 2018
- [ ] Finish collating your 2017/2018 tax paperwork

Reflect and reset your business goals

The end of financial year can be intense. However, one of the major perks of all the hard work you put in is accurate and up to date financial data about your business - which makes it the perfect time to evaluate the success of your business over the last year:

- [ ] What worked well and what didn't?
- [ ] What do you enjoy about your business and what don't you?
- [ ] What are your goals and budgets for 2018/19 and beyond?

Whatever you decide for your business it is essential that you track your progress. Get organised from the outset with online accounting software like Reckon One. It has a real-time dashboard displaying your net position and can automate aspects of your accounting admin such as bank reconciliation or chasing invoices. Embracing this technology can save you valuable time which can be better spent focusing on the future of your business.



Reckon One

Transform your tax season

Reduce paperwork, data entry and errors by automating accounting admin. Get real-time access to your financials and give your accountant or bookkeeper access quickly and easily.

Pay the lowest price

Fully featured online accounting software from just $5/per month made possible by our game changing modular pricing system.

A better fit for your business

The only solution on the market that allows you to add and remove features as your business changes. Don't pay for features you don't need or use!

Simple and easy-to-use

Built for everyday business owners with the latest in design and user experience for superior workflows. You'll be a pro in no time.

Perfect for mobile businesses

Run Reckon One on your desktop, laptop, tablet or your smartphone with our free mobile app. Your entire team working together simultaneously.

Learn more

Using another product in the Reckon accounting range?

Get ready for tax time and upgrade to the latest version now!

Accounts Hosted

Accounts Desktop

Accounting terms you should know

Accounting methods

There are two methods of accounting for your business, accruals and cash.

Accruals

Accruals is a non cash method where the income tax return or BAS for your business is prepared when invoices are raised and bills are entered regardless of whether or not the money has been received or paid. This means you will pay Income Tax and GST on money you haven't received but you will also reduce the Income Tax and GST by the bills you haven't paid.

Cash

The Cash method is where your business income tax return or BAS only includes the money that has been physically received or paid during the year or quarter.

Financial statements for a business may be prepared on an accruals basis to reflect the true position of the business but the Income Tax Return and BAS could be prepared on a cash basis so the business isn't taxed on unearned income and unpaid expenses.

Check with your accountant on which basis they use to prepare your income tax return before implementing any strategies. We also recommend discussing the strategies with your accountant.

SBE taxpayers can choose which method they prefer to use whereas a non SBE taxpayer must use the accruals method.

Bad debts

When a customer has an outstanding invoice and all avenues of recovering this debt have been exhausted, then the business can decide to write this off as a bad debt.

A deduction for a bad debt is only allowed if it has been previously included as assessable income meaning the business would need to have been completing their tax return on an accruals basis.

The bad debt must be written off before 30 June and the business needs to have physical evidence in writing that the debt has been written off.

Single Touch Payroll (STP)

Single Touch Payroll (STP) is an initiative by the ATO that changes the way employers report on employee payments including salary and wages, PAYG withholding and superannuation.
Under STP, employers will send payroll information to the ATO at the same time as they pay their employees typically weekly, fortnightly or monthly via their payroll software. Reporting each pay run saves time and resources for businesses at the EOFY because you have already submitted payroll information to the ATO throughout the year. Employers will no longer need to process payment summaries and give employees real-time visibility of tax and super information.

All business must conduct an employee headcount on 1 April 2018 to determine when you need to move to Single Touch Payroll reporting.

For employers with 20 or more employees Single Touch Payroll reporting will be mandatory from 1 July 2018.

If you have 19 or less employees Single Touch Payroll will be mandatory from 1 July 2019 (subject to legislation being passed). However, you can still start reporting voluntarily through STP from 1 July 2018 to take advantage of the benefits of streamlined reporting.

Small Business Entity (SBE)

You're a small business if you are a sole trader, partnership, company or trust that does both of the following:

- operates a business for all or part of the income year
- has less than $10 million aggregated turnover.

The ATO defines aggregated turnover as your annual turnover plus the annual turnover of any entities you are connected with or that are your affiliates. These entities are also known as 'relevant' entities.

There are three methods to work out if you are a small business for the current income year:

1. Previous year turnover
If your businesses aggregated turnover for the previous income year was less than $10 million, you are a small business entity.

2. Estimate your current year turnover
If the business estimates that its aggregated turnover for the current year is likely to be less than $10 million, the business will be a small business entity for the current year. However, the business can only estimate its current year turnover if the aggregated turnover for one of the two previous income years was less than $10 million.

3. Actual current year turnover
If the business is unable to use the first two methods, they will need to calculate the aggregated turnover as at the end of the income year. If the businesses actual aggregated turnover is less than $10 million, the business will be a small business entity for that year.

Superannuation Guarantee (SG)

Superannuation is money a business pays for its employees to provide for their retirement.

If an employee is over 18 years old and they earn $450 or more before tax in a calendar month, the business has to pay superannuation on top of their wages.

The minimum the business must pay is called the superannuation guarantee (SG) which is currently 9.5% of an employee's ordinary time earnings (OTE). OTE is usually the amount the employee earns for their ordinary hours of work. It includes things like commissions, shift loadings and allowances, but not overtime payments. To work out what the business must pay, multiply the employee's OTE for the quarter by the SG rate.
The business must pay SG at least four times a year, by the quarterly due dates which are as follows:

Period	Due Date
1 July – 30 September	28 October
1 October – 31 December	28 January
1 January – 31 March	28 April
1 April – 30 June	28 July

The business must pay and report superannuation electronically in a standard format, ensuring they meet SuperStream requirements. The superannuation payments must go to a complying superannuation fund, most employees can choose their own fund.

Superannuation contribution cap

Superannuation contributions have a cap on the amount that can be a tax deduction for each employee in a financial year.

For the 2017/2018 year the following limit apply:

- All ages - $25,000
- The separate age based limit for over 50s was scrapped as of 1 July 2017.

Extreme care needs to be taken when making the extra contributions up to the cap as the 9.5% SG is also included in this amount. An employee at age 40, who is earning $80,000 would have SG of $7,600 and therefore can contribute an extra $17,400.

The timing of the contributions also needs to be taken into account as the limits are based on when the contributions are physically received and not the year they relate to. The contribution for the April to June 2017 quarter may not have been received until July 2017. Also if a contribution is paid too late in June 2018, it may not be processed in time to be included for 2017/2018.

There are many ways to get help during tax time.

Phone
1800 RECKON (Toll-free 1800 732 566)

Email
customerservice@reckon.com

Reckon Community
Visit our community page to find answers from our expert users, partners and the Reckon Team

Find an advisor
Search for accountants, bookkeepers and other consultants who are certified in using Reckon products.