

Client eBrief



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SUPERANNUATION Clarifications on MySuper System

On the ATO website there is some confusing language regarding the MySuper system. We received some clarification from the ATO Superannuation section.

The website states that the **employer** must choose a default fund that “offers MySuper products”: What this really means is that the default fund or product **MUST** be a MySuper product. It is not enough to choose a fund that offers MySuper products—the employer must nominate an **approved product**.

If your existing default fund does not offer a MySuper product by 1 January 2014, you will need to switch to a fund that is authorised. You will need to provide an updated choice of fund form to employees that have not nominated a chosen fund within 28 days of this change. If the employee does not make a choice at that point, then the employer will pay to the new default product.

An employee’s chosen fund is not required to be MySuper authorised to accept employer contributions. The chosen fund is required to hold a direction from your employee to allocate the contributions to a non MySuper product.

The employee can of course choose to stay with the previous default product, but would have to complete the super choice form to indicate this. If the employee ends up with two super funds because of the employer having to swap over to a new default product, it remains the worker’s responsibility to initiate the rollover of multiple super funds into one of their choice.

Self-Managed Super Funds - Changes from 1st July 2014

From the 1st July 2014, changes to SMSF administration will be brought in. Please speak to your accountant regarding implementing changes as required.

1) The biggest change is that from 1st July, SMSFs must be able to receive contributions electronically from employers. This means that SMSF trustees will need to obtain an electronic service address for the delivery of contribution messages. SMSFs will need to provide their ABN, bank account details, and electronic service address to all employers paying into the fund, by 31st May 2014. This is to comply with the new SuperStream data standards coming into force from 1st July 2014. Note that for SMSFs not receiving contributions from employers, this does not apply-- they do not need to register for electronic payments.

2) Other changes address the powers that the ATO has to investigate non-compliance by the SMSFs with their obligations. The most common areas of non-compliance are to do with loans, borrowings, sole purpose breaches, in-house assets, arms-length and related party investments. The ATO has said that it will review every Auditor Contravention Report submitted. SMSFs are regulated directly by the ATO. SMSF trustees can face personal liability for penalties of up to \$10,200 if found to be in breach of compliance regulations.

For relevant information on record keeping and administration - www.ato.gov.au/Super/Self-managed-super-funds/Reporting,-record-keeping-and-administration/

3) Did you know that Australia Post offers a SMSF Gateway Service? It is low cost and user-friendly to allow trustees or administrators of SMSFs to comply with the new data standards, more details available [here](#).

There is a dedicated email address to send SMSF queries to, SuperP2PEnquiries@ato.gov.au

ATO Lodgement Dates

These dates are from the ATO website and do not take into account possible extensions. Contact us to establish when your information is required for lodgement. You remain responsible for ensuring that the necessary information is with us in time.

BAS/IAS Monthly Lodgement – February Activity Statement: 21st March, 2014 final date for lodgement and payment.

BAS/IAS Monthly Lodgement – March Activity Statement: 21st April, 2014 final date for lodgement and payment.

3rd Quarter of FY 2014: BAS Lodgement – March Quarter (including PAYGI) 28th April, 2014 final date for lodgement and payment.

4th Quarter of FY 2014: BAS Lodgement – June Quarter (including PAYGI) 28th July, 2014 final date for lodgement and payment

SGC for Jan-Mar Quarter to be paid by 28th March, 2014 to fund.

Due date for super guarantee contributions, for **quarter 3**, (1 Jan - 31 March) 2014 - contributions to be made to the fund by 28th April, 2014. If you do not pay minimum super contributions for quarter 3 by this date, you must pay the super guarantee charge and lodge a *Superannuation guarantee charge statement - quarterly* with the ATO by **28 May 2014**. The super guarantee charge is not tax deductible

Refer to the ATO for details regarding any SGC charges applicable if not paid by due date.

Where a due date falls on a day that is not a business day (that is, the due date is a Saturday, Sunday or public holiday), lodgement or payment may be made on the first business day after the due date without incurring a penalty or general interest charge (GIC).



End of Financial Year - Preparations

Prepayment Rules

What is a Prepayment?

Prepayments are payments that are made in one reporting period for goods or services that will not be received until a future period or are received over a longer period of time. This is often the case for expenses spread over a number of months (subscriptions or insurance premiums) and where the expense relates to separate financial periods.

Concept

The liability or the payment itself should be recognised in the first period it applies. i.e. when the invoice comes in or the payment is made.

Some businesses will expense all payments (even where it is an expense that covers the whole year) immediately, when the amount is below a predetermined threshold. This threshold amount can be different for accounting purposes, as distinct to any tax treatment, explained below.

A "Prepayment" is considered an asset to the business until such a time as the goods or services have been received. So the payment or the recognition of the purchase will be allocated to the "Prepayments" asset account initially.

Some examples of common prepayments are:

- Rent
- Airfares and accommodation
- Subscriptions
- Contract payments
- Insurance
- Advertising
- Booking for conferences, major events etc.

Prepayment Rules for TAX - Small Business (Under \$2million turnover)

You are allowed to claim items straight away if:

- Purchases less than \$1,000
- Goods or services received in the same income year as they were paid in
- Prepayment of salary or wages (under a contract of service)
- Required to be incurred by either:
 - a law of the Commonwealth, a State or Territory (for example, statutory fees or charges payable to a government body such as vehicle registration fees)
 - an order of a court of the Commonwealth, a State or Territory

The 12 month rule – small business (Under \$2 million turnover)

The 12 month rule applies if:

- You incur an eligible prepaid expense for something to be obtained over a service period of 12 months or less, and
- The service period ends in the income year following the year you incur the expense. You can claim the expense straight away.

Example for immediate deductible expense:

A company makes a prepayment of \$19,000 on 1st March 2013 for a service from 1st April, 2013 to 31st January, 2014. This satisfies the 12 month rule as it runs for less than 12 months and finishes in the next financial year, therefore the entire cost can be expensed immediately.

Item not received until next tax year

If there is no part of the goods or services received until the next tax year be sure to advise the tax agent to consider whether it is still a deductible item for tax in this year. Typically if the item is not received or no part of the service is provided until the following year it may not be deductible for tax in the year of payment.

Goods or Service received over more than one year

If the 12 month rule is not met you must treat it as a prepayment, for tax, and apportion the payment over the period of the service/goods for up to 10 years.

Example for prepayment:

A company makes a prepayment of \$200,000 on 1st June, 2013 for goods to be delivered in monthly batches from 1st August, 2013 to 30th July, 2014. This does not satisfy the 12 month rule as it runs for more than 12 months and covers 2 financial years. The payment will have to be apportioned out to relate to the relevant financial year.

Bookkeeping Processes

When you are accounting for prepayments, you need to create an asset account for the initial payment. This then shows on the balance sheet how much prepaid expense is still unapplied.

GST can be claimed at the time of payment regardless of whether you are on cash or accrual reporting.

Processing the Prepayment:

You have prepaid \$4,400 on workers' compensation insurance. You need to code the payment to the Prepaid Asset. Note that you can claim all the GST up front. (We have considered GST as 10% of the total amount to be paid).

Account	Details	Debit	Credit
Bank Account	Payment of Workers' Compensation Insurance		\$4,400.00
Prepaid Asset Account	Allocate Prepaid Asset account	\$4,000.00	
GST Paid	GST Paid	\$400.00	
TOTAL		\$4,400.00	\$4,400.00

Your monthly journal entry: move the pro-rata ($\$4,000 / 12 = \333.33) amount from the prepaid asset account to the relevant P&L expense account. GST has already been accounted for therefore no GST reporting is required in this journal.

Account	Details	Debit	Credit	Tax
Code				
Prepaid Asset Account	Allocate from Prepaid Asset account to expense account		\$ 333.33	N-T
Insurance Expense	Insurance paid	\$ 333.33		N-T
TOTAL		\$ 333.33	\$ 333.33	

Disclaimer: All or any advice contained in this newsletter is of a general nature only and may not apply to your individual business circumstances. For specific advice relating to your specific situation, please contact your accountant or contact me for further discussion.

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