

PALFREYMAN

CHARTERED ACCOUNTANT

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Newsletter

WE UNDERSTAND LIFE IS ABOUT MORE THAN TAX.
WHY NOT LET US MAKE YOUR LIFE EASIER?

IN THIS ISSUE –NON-COMMERCIAL LOSSES,
MYOB TIPS & TAX FACTS

Running a Small Business at a loss? You need to understand the Non-Commercial Loss Regime

We often have clients who run a small business at a loss and expect a large tax refund by offsetting this loss against their salary and wage income. Unfortunately the ATO have rules in place to limit this.

The Non-Commercial Loss Regime was introduced in July 2000 to stop people claiming their "hobby" as a tax deduction. Whilst this is reasonable in some cases, it does catch legitimate businesses as well.

To claim your business loss as a tax deduction without special consideration, your assessable income from other sources must be under \$250,000 and you must meet one of the following tests:

- ⇒ **Assessable Business Income** of at least \$20,000.
- ⇒ Your business has made a **profit** for tax purposes in three out of the last five years (including the current year).
- ⇒ You use **Real Property** of at least \$500,000 in your business.
- ⇒ You continually use "**other assets**" in the business (other than real property, cars, motor bikes and similar vehicles) valued at \$100,000 or more.

What is included in Assessable Income?

- ⇒ Normal business income
- ⇒ Profit on sale of depreciable assets
- ⇒ Capital gains relating to your business
- ⇒ Fuel tax credits received by your business

If you only run your business for part of the year, you can make a reasonable estimate of what your income would have been for a full year.

What is Real Property?

For this test, "Real Property" includes:

- ✓ Land
- ✓ Buildings and other structures fixed to the land
- ✓ A lease interest on that property

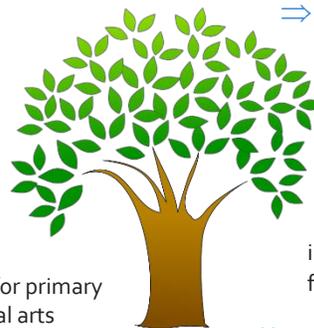
But doesn't include:

- ✗ Dwelling and adjacent land used mainly for private purposes
- ✗ Fixtures owned by you as a tenant

Your business doesn't need to own the land to pass this test. You just need to use that land on a continuing basis. A rented property could pass this test but not if it is for a short-term basis, for a one-off task or intermittent use only.

Primary Producer or Professional Arts?

A concession is available for primary producers and professional arts businesses. If your assessable income from all other sources is less than \$40,000 you can claim a tax deduction even if you don't meet the usual four tests.



If your income is over \$40,000 your loss will be deferred unless you can meet one of the four tests.

What Happens if I fail the Tests?

If you do not pass a test due to special circumstances which are outside your control, we can apply to the Commissioner to exercise his discretion to allow you to claim the losses.

We regularly provide this service for forestry, vineyard and fruit tree clients as there is an accepted delay in income production due to the need for the plants to mature.

If the Commissioner does not exercise his discretion, your loss will be "deferred".

What Does Deferral Mean?

If you cannot claim your loss that year, it is carried forward and may be claimed in future years when you meet one of the tests.

- ⇒ Deferred losses are carried forward indefinitely. There is no time limit you need to meet to claim them.
- ⇒ If you make a profit from your business, you can offset your loss to reduce this to nil.
- ⇒ If you meet one of the tests for your business, you can claim your deferred loss in that year.
- ⇒ If you earn any "exempt" income, this will reduce your carried forward deferred loss.

Non-commercial loss rules are very complicated. Why not contact us on 4990 3775 or email enquiries@palfreyman.com.au to discuss your individual circumstances?

MYOB Technical Tips & Tricks

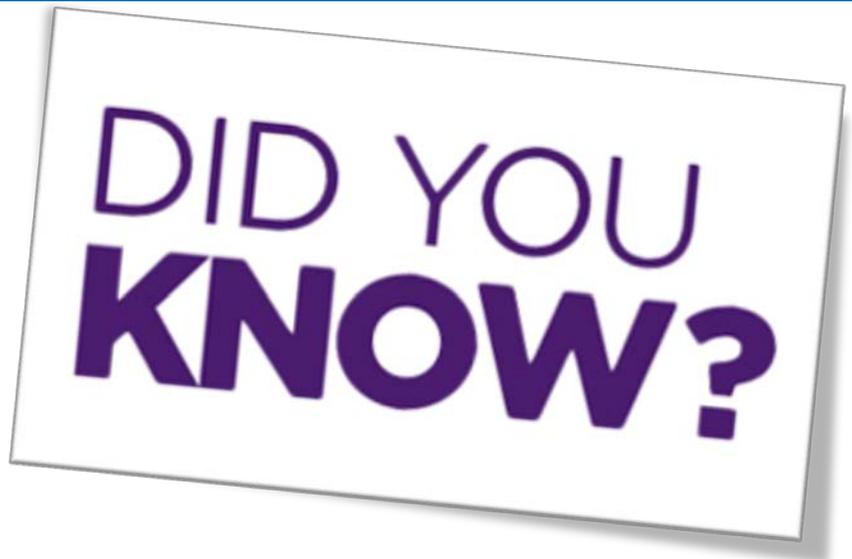
Are you a MYOB user and looking to go paperless with your system? You may not be aware of this but MYOB has a very clever option to create and link bills you have received in PDF format as well as being able to upload photos directly from your phone.

By using this option there is no need to email your accountant copies of bills as they are already linked to your MYOB file. Your ATO substantiation requirements are also met with the added bonus of reduced administration time meaning you can get back to your clients and growing your business sooner. Start to go paperless in 5 easy steps:

- ⇒ Go to the "In tray" in MYOB (Essentials users will find this in the top right of the task bar. AccountRight users will find this in the Purchases Command Centre).
- ⇒ Click "Upload document" and select the documents you wish to upload from your computer or if using your phone the options will include "take picture" and "upload from



myob



library". We recommend saving the bills you receive via email in a separate folder for each quarter or if using your phone create different albums for each quarter.

- ⇒ Click on the uploaded file and either "Link to existing bill" or "Create new bill" depending on whether you have already created a bill or not.
- ⇒ If you select "Create a new bill" this will bring up a new bill with some available data already pre-filled and ready to go. Simply input the missing data such as allocate to the correct account and select the supplier and appropriate tax type.

- ⇒ To check your Bill has been entered, go to "Purchases" in the top bar of your MYOB essentials, click on the drop down arrow and select "Bills". If you are a MYOB AccountRight user you will need to go to the "Purchases" command center then click on the "Purchases Register".

For a quick instructional video on this see MYOB help

<http://help.myob.com/wiki/display/ar/WorKing+with+In+Tray+documents>

There are plenty of tricks to help run your business with MYOB. Why not contact us on 4990 3775 or email enquiries@palfreyman.com.au to discuss your individual circumstances?

PCA Financial Pty Ltd

PCA Financial is a fully owned sister company of Palfreyman Chartered Accountant and is an authorised representative of Capstone Financial Planning.

PCA Financial is able to assist our clients by providing limited financial advice on Self Managed Super Fund (SMSF) issues such as:

- ⇒ Providing advice on the advantages and disadvantages of establishing a SMSF.
- ⇒ SMSF set up.

- ⇒ Advice on cost of establishment and estimated annual administration costs.
- ⇒ Pension advice.
- ⇒ SMSF closure advice.

While PCA Financial cannot tell you what to invest your SMSF funds in, they can provide general advice and assist with organising rollovers into your fund.

Once established, Palfreyman Chartered Accountant then handles your usual taxation and accounting needs.

As your SMSF advice is provided by Simone Palfreyman, you will be receiving the same level of quality service that you have come to expect.

Why not email us at enquiries@palfreyman.com.au or call us today on 02 4990 3775 to see how we can assist with your SMSF needs?

We are pleased that we can assist our clients in business planning, taxation, SMSF and IT support matters.

