SUPERMATTERS

SUPERANNUATION STRATEGIES FOR YOU AND YOUR BUSINESS

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Lee&Lee Accountants
Business, Property, SMSF & Tax Advisors

Get ready for SuperStream

SuperStream kick-starts on 1 July 2015 for businesses with less than 20 employees.

The new reform simplifies employer superannuation contributions by requiring all businesses to make payments electronically to all funds, on time. Small businesses must take important steps to ensure they are SuperStream compliant. The earlier employers begin implementing SuperStream, the sooner they will avoid the risk of non-compliance.

Assess the options

There are different solutions for making SuperStream contributions. Employers who use payroll software must look for an upgrade that is SuperStream ready. Small businesses who rely on external partners or their default super fund must check whether they comply with SuperStream requirements. Some employers may need to arrange an online connection and security log-in credentials if they are not connected to their provider.

A commercial clearing house service or the free Small Business Superannuation Clearing House can help employers meet SuperStream requirements on their behalf. Employers that work with a clearing house must arrange with them how and when they will receive the data.

Adopt the new data requirements

Data must be collected for new and existing employees and updated in the payroll system. This includes:

- A fund's ABN and employee tax file number are needed for all funds.
- An electronic service address and bank account details are required for SMSF's.
- A Unique Superannuation Identifier (USI) is required for APRA-regulated funds only.

Make the first contribution

Once employers know their solution and timing, they should organise a target start date with their service provider. Members have some flexibility on their start-up date provided they do their best to implement SuperStream no later than 30 June 2016. Effective communication with the payroll and other service providers will ensure the first SuperStream contribution is a success.

Refine your contribution process

Employers should aim to refine their contribution method when they are familiar with making SuperStream payments to achieve greater efficiency. This may involve fixing recurring sources of mistakes and making changes to their practice.

LEE & LEE

THE TAX INSTITUTE
CHARTERED TAX ADVISER

SMSF SPECIALIST

PTS propertytax specialists

HEAD OFFICE:
HYPER CENTRE
SUITE 5, GROUND FLOOR
50-56 SANDERS STREET
UPPER MT GRAVATT
QLD 4122

TEL (07) 3103 8551
FAX (07) 3349 8208
EMAIL
info@leeandlee.com.au
EMAIL
www.leeandlee.com.au

PARTNERS
Tony Lee
Peter Lee

SERVICES
Property Tax Specialists
Accounting and Taxation
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EOFY tips for your SMSF

The end of financial year is a great time for savvy self-managed super fund members to maximise their super strategies and make the most of their contributions.

Here are five tips to help build your super.

Salary sacrifice

SMSF members can arrange with their employer to sacrifice their pre-tax wages into their superannuation fund. An effective salary sacrifice arrangement has many benefits. It increases the super fund account balance, the super contributions are deductible for the employer and it does not incur PAYG withholding tax or Fringe Benefits Tax.

Salary sacrifice contributions are made once every quarter and the legislated cut-off date for contributions is 28 days after the end of the quarter.

If it is affordable within their budget, members who are already involved in a salary sacrifice arrangement should consider making higher salary sacrifice contributions. Increasing their contribution now is a step towards having an adequate retirement income.

Convert small business assets to super

Small business owners aged 55 years or over, and running a self-managed super fund, may be eligible for the Capital Gains Tax 15-year exemption concession when they sell their assets. They must have owned an active business asset for 15 years and contributed the proceeds of the sale to their fund.

Claim deductions for contributions

Self-employed SMSF members may be eligible to claim a tax deduction for contributions they make to their account. They must earn less than 10 per cent of their total assessable income, reportable fringe benefits and reportable employer super contributions as an employee. Personal super contributions are subject to the concessional contributions cap.

Boost super contributions

Members can maximise their concessional contributions, where they have not exceeded the cap, to get the greatest benefit from the lower tax rates inside super. For the 2014-15 financial year, the concessional contributions cap is $30,000 for members under 49 or $35,000 for

members aged 49 or older on 30 June 2014.

Donate proceeds from property sale

Contributing the proceeds of an investment property sale to a self-managed super fund can reduce the amount of income tax payable, including income tax payable on net capital gains.

Superannuation obligations: employees vs contractors

Employers must be able to differentiate between an employee or a contractor in order to meet their superannuation obligations.

While employees work as a part of a business, contractors provide services to a business through their own business. Employers that fail to acknowledge this difference risk being penalised.

Problems generally emerge when a worker is paid as a contractor for a number of years and they are found by the ATO to be an employee. This means they were eligible for superannuation guarantee and other employee rights and entitlements. More often than not, employees will not mention the incorrect treatment until they finish working for the employer.

There are different factors that can help with correctly classifying a worker (see table below).

Employers who make a classification error may get a monetary penalty for failing to meet PAYG withholding requirements and a super guarantee charge for making incorrect superannuation contributions.

They are also liable for backdated PAYG, superannuation guarantee payments and payroll tax.

Employers can refer to the legal definition to reduce the risk of paying penalties and charges. Section 12 of the Superannuation Guarantee (Administration) Act 1992 (SGAA) determines employees to be those who work under a contract that is wholly or principally for the labour of an employer. Whereas, a contractor is defined as a person who is paid to do work of a private nature for less than 30 hours per week.

Characteristics	Employee vs	Contractor
Basis of payment	The worker is paid on a time basis.	The worker is paid the amount they quote to complete the work.
Provision of equipment	Employers provide workers with the necessary equipment to perform their role in the business.	The worker provides most of the equipment to complete the work.
Commercial risk	The business is legally responsible for the work performed by the worker.	The worker is legally responsible for their work. This means they will be required to pay if there is a defect in their work.
Ability to sub-contract	The worker cannot pay someone else to do the work.	The worker has the freedom to pay someone else to do the work.