TAX MATTERS

TAX NEWS FOR YOU AND YOUR BUSINESS

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GST refund time limit

Small businesses entitled to refunds of GST may not be aware of the four year time limit on claiming those refunds.

GST refunds are claimed under the indirect tax laws, which cover GST, Luxury Car Tax (LCT), Wine Equalization Tax (WET) and fuel tax credits. They are a form of 'outstanding indirect tax refunds' which are tax refunds that are entitled to the taxpayer but are yet to be claimed.

'Outstanding indirect tax refunds' can be claimed in the following cases:

Refund of a net amount for a tax period

For instance, if a small business has GST entitlements that amount to $2,500, (which exceeds the net GST, WET and LCT liabilities for that period $2,000), they are able to claim an outstanding indirect tax refund of $500. This applies to those that have yet to lodge an activity statement for a tax period.

Refund of an overpayment of a net amount

Due to a clerical error, a business owner reports and pays $4,600 net GST for a tax period instead of the actual amount of $4,060. The excess amount of $540 is an outstanding indirect tax refund which the business can claim.

Refund due to an underreported initial net refund entitlement

A business claims a net GST refund of $3,000 for the tax period and receives the refund. However, the amount was actually $3,200 and the excess $200 represents an outstanding indirect tax refund.

Business owners should be aware of the four year time limit applied on the above claim instances, which ends four years from the due date of the activity statement for the tax period to which the refund would be attributable.

However, a business may still receive the GST refund even after the four year limit has expired if, during the four year period, either they or the ATO have notified the other party of the refund entitlement.

When the refund claim is eventually lodged, the ATO will reference any notifications given and the four year period will no longer apply.

If there is a taxation debt, then the ATO may apply the refund to offset any debt, regardless of whether it is due and payable- and any other due and payable Australian Government debt that there may be.

A business may claim an indirect tax refund or credit and notify the ATO of entitlement to a refund claim by doing one of the following:

- Lodge an original activity statement for the tax period for which the refund or credit relates.
- Revise the activity statement for the tax period to which the refund or credit relates.
- Take the refund or credit statement into account in the next activity statement- although this will be subject to the four year time limit.

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TAX FOCUS:
COMMON FBT EXEMPTIONS

With the Fringe Benefits Tax deadline fast approaching, small businesses should review some of the key FBT issues.

The FBT for the year ending 31 March 2013 is 46.5%, on the grossed-up taxable value of fringe benefits provided to employees during the FBT year.

Common fringe benefits exempt from the tax include:

- Newspapers and periodicals provided for business purposes
- Workers compensation
- Work site medical facilities
- Meals provided by the employer and consumed on work premises
- Minor benefits less than $300 that are provided infrequently
- Work related items such as protective clothing, briefcases, calculators, tools of trade, notebook computers, electronic diaries and personal organisers
- Taxi travel to and from work

Self assess liability

FBT is a self assessment system, with large penalties for underpayment. Certain employers may pay FBT by instalments.

An employer whose previous year's FBT liability was at least $3000 must pay in quarterly instalments, rather than annually by 21 May.

Employees payment summary

If the business provides fringe benefits with a total taxable income of more than $2000 in the FBT year, then the grossed-up taxable value of $3738 must be reported in the employee's payment summary for the corresponding income year.

Record keeping exemption

An employer that provides fringe benefits in a year below $7642 for the 2012/13 financial year may be exempt from keeping FBT records.

Maximising travel expense claims

Employers and individuals using a vehicle for work may find it useful to consult ATO guidelines when claiming work related travel expenses.

Individuals and business owners may be able to claim car travel expenses in the following circumstances:

- If they have to carry bulky goods or equipment back and forth to work that cannot be left at the workplace
- Use a vehicle for work purposes
- Are a home based worker
- Require different vehicles to travel to different offices
- Travel between business locations during the day

Claimants should account for any allowances provided by employers or businesses for work travel and deduct only the private portion of the trip. If the estimated travel will be more than 5,000km, the ATO recommends using one of the following methods which will give the greatest deduction.

If a taxpayer is unable to estimate their business kilometres at the start of the income year, the ATO recommends that documentation is kept as required by the logbook method.

Cents per kilometre

The ATO provides a rates per business kilometre table which calculates the cents per kilometre of the car's engine capacity multiplied by the number of kilometres travelled. A maximum of 5,000 km can be claimed each year with diary evidence to show how the rate per km was worked out. This method is best for those making a few trips a year with the maximum claim being $3750.

12 per cent of the original value

Using this method, the claim is equal to 12 per cent of the cost of the car. This method may be more appropriate for those who have purchased a new vehicle and have travelled more than 5,000km that year.

The maximum claim is 12 per cent of a vehicle costing up to $57,466, and requires evidence of how the business kilometres were calculated.

One third of actual expenses

This method may best apply for those who have travelled more than 5,000km in a year in an existing vehicle. A third of the costs of running the car such as fuel, registration, insurance, services and maintenance can be claimed with the submission of written evidence and invoices as proof.

Logbook method

The requirement is that the logbook be kept for 12 weeks, which serves as sufficient record of usage with the same car for the next five years. The logbook helps calculate the business percentage usage of the car which should be somewhere between 80 to 95 per cent, and allows most running and maintenance, finance costs and depreciation or lease expenses to be claimed.

This method leads to the largest tax deduction as long as all receipts are kept and the logbook entries can be substantiated.Like most self assessment claims, it is up to the claimant to keep thorough evidence to support any deductions submitted to the ATO.