

**Newsletter, October 2014****Practice Update**

I hope everyone enjoys the long weekend and the start of daylight saving. I'm looking forward to the short break as August is probably the busiest month of the year for me (I help businesses meet all their year-end employee obligations while also assisting with completing their BAS and varying PAYG instalments) which also makes September excessively busy.

At a recent presentation I did for a group of doctors, one of the common questions was why can't their accountants explain things to them in terms that they understand (doctors are trained to be able to communicate effectively with their patients). I couldn't comment on their accountants, all I could offer was my approach (which includes taking time to educate clients so they can better understand their situation) and the advice that not all accountants are the same. Thankfully, I was complimented on my presentation being easily understood with the appropriate terminology.

**Why a tax refund is not something to celebrate**

When the ATO issues a tax refund, people will celebrate. This sounds good, right? Not necessarily, a refund just means that the ATO have been holding your money on an interest free basis for the year. This is not a good savings method but a lot of people intentionally plan this to force savings (and to avoid the situation where they unexpectedly owe the ATO money). Being issued with a tax payment notice generally means that the ATO have lent you their money on an interest free basis for the year (or up to almost two years by the time that the payment is due).

Whether you have a refund or payment is not the important issue, what your actual rate of tax is. Is it close to 15% (the superannuation fund tax rate) or 30% (the company tax rate)?

**Varying PAYG Instalments for 2015**

You have the option to choose the PAYG instalments reporting and payment option that best suits your needs on the September activity statement. The two options are:

- 1) Pay the instalment amount calculated by the ATO. This is based on the last tax return lodged which may not be reflective of your current circumstances. You can vary the PAYG instalment but penalties can apply if you underpay by more than 15%.
- 2) Calculate the instalment amount by multiplying your income by the ATO instalment rate. Applying the rate to your current year income takes into account any changes to your circumstances (although, the ATO instalment rate is still based on the last tax return lodged).

Once a reporting option is chosen, you continue to report and pay using the same option for the rest of the year. You may be eligible to choose to pay instalments annually if your notional tax is less than \$8,000 (you must notify the ATO of this choice by October 28).

**Lodgement Dates**

The September quarter has now ended so you should be aware of the following dates:

- 28 October 2014 September quarter superannuation payment due
- 28 October 2014 September quarter BAS due

Did you know that if your Tax Agent lodges your quarterly BAS electronically, you get a four week electronic lodgement and payment concession? This means that the September quarter BAS is due for lodgement and payment by 25 November 2014. Please contact me if I can be of assistance.

Kind regards, Nick