

How to prepare for 2020's new tax obligations

The coming year brings a number of new developments and taxes, such as an expansion of the taxable payments reporting system (TPRS) to more industries, single touch payroll and the government's e-invoicing framework. SMEs need to ensure they're prepared for what's ahead to make sure they're not caught out.



Andrew Spring, Jirsch Sutherland Partner

Jirsch Sutherland Partner [Andrew Spring](#) says like all business compliance processes, the key is to know your obligations and update your internal systems. "Taxation changes are a regular occurrence and business owners should foster a strong relationship with their accountant to ensure they have the right tools to remain compliant," he says.

He adds just as there's no way to avoid death and taxes, there's no way to avoid compliance. But he says, it doesn't have to be onerous.

"SMEs need to get professional assistance and implement the right systems to avoid any new compliance requirements from becoming a burden," he says. "Ignore your obligations and the compliance snowball may just become an avalanche crashing down on your business."

Right accounting software can ease the burden

WLM Financial Services Director Dan McGrath says whether the developments being introduced this year will prove to be a burden for SMEs, really comes down to their current accounting systems.



Dan McGrath, WLM Financial Services Director

"If businesses are still using desktop software or spreadsheets then they will not be able to comply," he says. "However, if they are using cloud accounting software such as Xero or Quickbooks Online then the compliance for both single touch payroll and TPRS will be relatively easy and can be submitted electronically directly from these systems."

McGrath adds e-invoicing is not a mandatory compliance requirement, more of an opportunity for those businesses that deal with government departments to get paid within five days. "As this only came into effect on 1 January 2020 you would need to check with your accounting software provider as to whether it has the functionality to produce your invoices in the required format," he says.

Penalties for non-compliance

SMEs who feel overburdened by these changes should be aware of the penalties if they don't comply. The ATO administrative penalties are calculated at the rate of \$210 for each 28 days or part thereof that the report(s) is/are overdue (to a maximum of \$1050).

McGrath says this penalty increases to a maximum of \$2100 for medium entities, \$5250 for large entities and \$525,000 for significant global entities. "Businesses not using a cloud-based accounting system will need to transition as soon as possible, especially if they employ staff or fall into one of the industries required to comply with TPRS," he says.

If an SME is feeling overburdened, the best course of action is to seek assistance. Spring says business owners are not expected to be experts in tax compliance, but they are expected to build systems and relationships that allow the business to meet its obligations.

"Your accountant is the perfect resource to help ease the impact of tax compliance," he says. "A good accountant will ensure your systems keep your business out of harm's way, from a compliance perspective. The initial costs of set-up are worth it for the peace of mind and time savings."



How data is helping accountants build better client relationships

However, new taxes and developments also create extra work for accountants. While accountants are generally excellent at managing compliance obligations for their clients, in a world of technological advancements, specifically around compliance in the accounting sphere, accountants are using the data to begin more strategic conversations with their clients.

“Accountants are telling me that this is actually helping them bring greater value to their clients,” Spring says. “It is helping to build the ‘trusted adviser’ relationship and not just one as a compliance manager.”

McGrath adds the key to a strong accountant/client relationship is having real-time data available to make collaborative financial decisions.

“The best way for accountants to achieve this is to make sure that efficient cloud-based systems are implemented and a good bookkeeper/internal finance person is in place to continually process the data in the system,” he says. “If the data is kept up to date and accurate then the single touch payroll and TPRS reporting is a matter of clicking a few buttons to submit these reports via the cloud-based accounting system.”

Once this is in place, McGrath says there is good software on the market that can reasonably quickly allow accountants to produce budgets, cash flows and regular reporting to see how the business is tracking.

“The accountant/client relationship should be spending the majority of time talking about the current and future financial KPIs that need to be met and not about compliance reporting,” he says. “Cash-flow forecasting is especially important for tax payments as these can be large and very lumpy, especially in a growing business and is one of the most common problems we see in troubled businesses. Accountants need to educate their clients not to run their businesses based on what’s currently sitting in their bank account.”