Radio Days – 2014-06-28

Tip of the Week – Do Not Click Here!

During the week I had an excellent example of a client who violated one of the most basic tenets of modern computing: he clicked on an icon when he was distracted by both food and football on the TV.

Oh! The weakness of the modern man (and woman)!

My favourite technician was recruited to fix the problem. The results of my client's little click were that his computer was unable to be updated and that many of his programs could not be used. The program that he downloaded (possibly one of these *We will fix everything wrong with your computer* programs) had managed to reset the permissions on every (repeat every) file on his hard drive.

Literally the only way to recover from this problem was to re-install Windows. Because his computer was a laptop there was a hidden partition on the hard disc which is used to install Windows. This hidden partition has a complete copy of Windows for this purpose.

First, however, the technician had to remove the hard disc so that he could extract the contents of *My Documents* and *My Pictures* (the other libraries were empty). Then he could install Windows from the hidden partition, install all updates from the internet then restore the two data partitions to get my client's computer as close as possible to its previous state.

Ghostery

In the hope of reducing the chance of this happening again I installed a program called Ghostery. Ghostery works with some browsers: Chrome, Firefox and Opera. It also works with Safari but that browser no longer works on Windows.

Ghostery works behind the scenes to remove advertisements from your web browsing, and I am hoping that this will be enough to keep his computer from getting destroyed in future.

As I pointed out to him: just because you have car insurance it does not mean that you will not have a car accident!

End of Payroll Year

We have now come to the end of the financial year. For those of you who employ people (or who have employed people during the last twelve months) now is the time for you to do the final tasks for the payroll year.

There are several tasks which you must do in the period between the last pay for June and the first pay for July. These tasks are common to both QuickBooks and MYOB and are:

- Check that your pay details are correct and that you have the correct Tax File Number (TFN) and address for each employee.
- Check that you have correctly entered all pays for the last twelve months for each employee. For this, you need to ensure that all payroll categories in your bookkeeping program enter all payroll data into the correct category for the Employment Summary that you will print for each employee.
- Print Employment Summaries (formerly called Group Certificates) for each employee. Each employee will need two copies: one for their records and one to send to the ATO with their tax return.
- Create your EmpDupe file. This file is sent to the ATO electronically (if you report to the ATO electronically) or on a CD or USB stick and it summarises the detail which appears in the employment summaries. This allows the ATO to check that you are paying the correct amount of withholding tax so that it does not come to get you in the middle of the night.

- Update your tax tables for the new surcharge on people who are paid more than $100,000. As far as I know this is the only change to the tax table so, if you do not employ any high-rollers, you can keep your tax table from last year.
- Update your Superannuation Guarantee Charge (SGC) rate for all employees who earn over $450 per month from 9.25% to 9.50% for this new year.

If you are using MYOB there are some other tasks which need to be done before you can do your first pay run in July. These tasks are:

- Make a backup copy of your data file so that you do not lose all the data that you are about to remove from your MYOB data file.
- Make the backup file read-only so that no changes can be made to the data in that file.
- Close-off last year's payroll so that MYOB will allow you to create pays for the new payroll year.

List of Tasks For Both QuickBooks and MYOB

Checking Your Pay Details

I am amazed at just how quickly data on a database like QuickBooks or MYOB can get out of date. If you cast your mind back to the KGB or the Stasi you will wonder how they managed to keep paper records accurate. Changing computer records is much easier than changing paper records and still we manage to get things wrong almost more often than not.

People change address all the time. Are your records correct for all your employees? Is their TFN correct? The computer can check that a TFN is valid because there are calculations that a computer can do but this only says that a TFN is in the correct format: it cannot check that this TFN is the correct one for this employee. There is a place-holding TFN of 111 111 111 which you can use for the first 28 days of a person's employment but, if they have not given you their correct TFN you are responsible for deducting almost half of their pay (which is the highest tax rate for top earners) until they give you their correct TFN.

Many employers treat this requirement very casually, and it can come back to bite them!

Check That All Pays Are Correct

In reality, this is something that you should be doing each pay day rather than at the end of the year. However, in my experience, many computer operators wither do not know how to do a pay correctly or do not care if a pay is correct. Employees are often too casual about checking their pay slips (you do give each employee a pay slip each pay day, don't you?) so they will not catch errors which you have made during the pay.

You will also need to check that each payroll item allocates its amounts to the right account. It is perhaps a little late for this check as it should have been done before you entered your first pay, but better late than never.

Print Employment Summaries

This is a simple task in QuickBooks because it only shows you employees who have been paid during the last twelve months. MYOB, on the other hand, shows you all employees who have ever been paid. For this reason I always print a Payroll Summary Report for the current payroll year because this shows all the employees who have been paid during the year and ignores those who were paid in previous years.

Yet another plus for QuickBooks!

Create Your EmpDupe File

This is the file which you send to the ATO so that they can match what you say you have paid your employees against your BAS reports for the last year and against your PAYE payments. This sort of data matching is easy for even the most challenged computer people so you can

expect that it will become the norm for all organisations which need to check your details and compare them with last year's details and any projections that you may have made.

This file needs to be sent to the ATO so that they can do their data matching.

Update Your Tax Tables

As far as I know the only change to the tax scales for the coming financial year is the levy on people who earn more than $100,000 per year. This levy is supposed to be for only a few years so, in theory, will be removed.

If you do not pay employees $100,000 or more then you can keep using last year's tax scales. Otherwise you need to get the sheet from the ATO for your pay period (weekly, fortnightly or monthly).

Update Your SGC Rate

Last year employers needed to increase their SGC superannuation from 9% of eligible wages to 9.25%. This year the rate has been changed again, this time to 9.5% of eligible wages. If you do not pay the correct amount of SGC superannuation you will be liable to massive fines plus the unpaid super.

The rate for all SGC superannuation accounts for this new payroll year is 9.5%

MYOB Extras

As well as all the items mentioned above there are two extra things which you need to do before your first payroll run after 30 June 2014 if you are using MYOB. This is caused by the fact that MYOB initially had a database which could only handle a few transactions so it had to be cleared out every so often. Another design flaw was that every year needed to be closed before the next one could be started. The end result is that MYOB can still only work on small datasets.

The corollary is that you need to keep many versions of your data file: one for each financial year and one for each payroll year.

Backup Your Data File

Before you can remove the payroll transactions for the year just ended you must make a copy of that year's data so that you can refer to it later when needed. The only way to keep data which you are about to remove from your MYOB data file is to have a backup copy of that data file.

You can either make a copy in your data file's folder or in another folder, but you must make a backup before your close off last year's payroll

Make Your Backup File Read-Only

To ensure that your backup data file is not changed you need to make it read-only. This is done by running MYOB, setting your computer's date three years into the future, opening your data file then, when you are asked to verify your data file, make your data file read-only.

Close Off Last Year's Payroll

The final step in MYOB's convoluted year-end process is to close off last year's payroll using the *Start a New Payroll Year* process. This process is easy to perform: just keep clicking *Next* until it has completed.

You are warned during this process to make a backup file, but you have already done this when you made a copy of your data file two steps before this.

Update – 2014-07-05

Some matters have come to my attention since last week's talk which need updating. I was under the impression that the only change to the tax scales was the surcharge on incomes over $100,000.

Firstly that is almost correct: the surcharge applies to incomes over $180,000 so those of you who no longer qualify as wealthy can now heave a sigh of relief.

Medicare Levy

The other major change is that the Medicare levy has now increased from 1.5% to 2%. This means that every employee will have to pay an increased Medicare levy to cover the costs of the NDIS (National Disability Insurance Scheme).

This is just a few cents per week (50 cents for each $100 of weekly pay) but, if you have employees but you do not get an upgrade to your accounting package, they will either get a reduced refund or have to pay tax if they do not have enough deductions.

There is also the possibility that you will have a penalty imposed for not deducting enough tax to cover your employees' liability.

Accounting Program Upgrade

If you do decide to upgrade your accounting program if you do it now, after the start of this new financial year, you will get the latest version in twelve months' time. I suspect that the current federal government will have quite a lot of difficulty getting its budget through the parliament so will be left with what it will call a *massive black hole of debt* so will make major changes to the income tax regime for July next year.

MYOB

If, on the other hand, you have MYOB you need to buy a new version from MYOB. I have seen the latest version of MYOB on the internet at a well-known store for $620 and on another well-known store for $995. The cheaper version only has a six month subscription so will not get you the new version in July next year. The more expensive version will have the full twelve month subscription but is more expensive than buying it from MYOB directly.

Last year MYOB had an upgrade price roughly in line with QuickBooks' price but this has been dropped in the interests of screwing you, the customer.

QuickBooks

If you get QuickBooks now as an upgrade (not a new version) you will pay about half the cost of that new version so it is one more reason to use QuickBooks.

Further Information

Ghostery	www.ghostery.com
ATO	www.ato.gov.au
QuickBooks	www.reckon.com.au
MYOB	www.myob.com.au