LCA Accounting
Chartered Accountants

Practice Update

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if you have any queries

March 2019

Changes to the small business instant asset write-off

On **29 January 2019**, the Prime Minister announced that legislation will be introduced to:

- extend the small business instant asset write-off by 12 months to **30 June 2020**; and
- increase the write-off threshold from less than $20,000 to **less than $25,000** (effective immediately).

The current threshold of $20,000 has applied since 7.30pm AEST on 12 May 2015 and was due to revert to $1,000 on 1 July 2019.

Under the proposed changes, from **29 January 2019** until **30 June 2020**, small businesses with an aggregated annual turnover of **less than $10 million** may claim an immediate deduction for the business-use portion of each depreciating asset costing less than $25,000.

Example

To illustrate, assume an individual acquires a van for $22,000 (excluding GST entitlements) on 1 February 2019.

The individual is a small business entity and estimates the van will be used 90% for the business and 10% for private purposes.

Under the current rules, while the business-use portion of the cost of the

van is less than $20,000 (i.e., $22,000 x 90% = $19,800), an immediate

deduction is not available because the entire cost is $20,000 or more.

However, the van may be depreciated as part of the taxpayer's SBE small business pool.

In contrast, an immediate deduction of $19,800 may now be claimed under the proposed changes, as the entire cost of the van is below the new threshold of $25,000.

This measure is expected to benefit more than 3 million eligible small businesses.

Editor: On 13 February 2019, the Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019 was introduced in the House of Representatives.

Once this Bill becomes law, it will open up opportunities for small businesses to claim an immediate deduction for depreciating assets (where they cost less than $25,000) up until 30 June 2020.

Tax scammer alert

The ATO has again warned taxpayers to be alert for scammers impersonating the ATO, as it appears they have changed tactics in 2019.

Specifically, the ATO is seeing the emergence of a new tactic where:

"scammers are using an ATO number to send fraudulent SMS messages to taxpayers asking them to click on a link and hand over their personal details in order to obtain a refund".

The ATO has received reports of scammers maliciously manipulating the calling line identification so the phone number that appears is different to the number from which the call originated.

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This is referred to as “spoofing” and is a common technique used by scammers to appear legitimate.

It appears these scams aim to steal taxpayers' personal details and identities.

The ATO has advised it will **not**:

- send an email or SMS asking a taxpayer to click on a link to provide login, personal or financial information, or to download a file or open an attachment;
- use aggressive or rude behaviour, or threaten taxpayers with arrest, jail or deportation;
- request payment of a debt via iTunes or Google Play cards, pre-paid Visa cards, cryptocurrency or direct credit to a personal bank account; or
- request a fee in order to release a refund owed to taxpayers.

Editor: If you are unsure about a call, text message or email purportedly received from the ATO, the best advice is not to reply.

Should you have any concerns, please contact our office directly, or alternatively you can call the ATO on 1800 008 540 to check if the contact was legitimate or to report a scam.

Non-compliant payments to workers

The rules for claiming deductions for payments to workers are changing.

From 1 July 2019, businesses can only claim deductions for certain payments made to workers where they've met the Pay As You Go (‘PAYG’) withholding obligation for that payment.

Specifically, a business can only claim a deduction for the following payments if it complies with the relevant PAYG withholding rules:

- Salary, wages, commissions, bonuses or allowances to an employee.
- Directors’ fees.
- Payments to a religious practitioner.
- Payments made under a labour hire arrangement.
- Payments made for a supply of services (except from supplies of goods and real property) where the contractor has not provided their ABN.

Where the PAYG withholding rules require an amount to be withheld, the business must:

- withhold the amount from the payment before they pay their worker; and
- report that amount to the ATO.

Importantly, a deduction will not be lost if an incorrect amount is withheld (or reported) by mistake.

What’s new for Australian business

The ATO has recently reminded small businesses of the expanded tax concessions potentially available to them, as outlined below:

- The pending increase in the small business instant depreciating asset write-off to **less than $25,000** (as discussed in further detail above).
- Accelerated depreciation deductions for primary producers for eligible fodder storage assets, as well as for fencing and water facilities.
- Assistance for primary producers impacted by drought at **Drought Help**, or by contacting the ATO on **1800 806 218**.
- A lower company tax rate of **27.5%** for companies qualifying as a Base Rate Entity ('BRE').
- Increased Small Business Income Tax Offset (‘SBITO’) for eligible sole traders and individual partners and beneficiaries.

Single Touch Payroll Update

Understanding STP obligations

Single Touch Payroll ('STP') is a Government initiative aimed at cutting red tape for employers and improving visibility of compliance with business obligations such as:

- salary and wages and similar payments;
- Pay As You Go ('PAYG') withholding; and
- certain superannuation related information;

by requiring 'real time' reporting of payroll information directly to the ATO.

Importantly, STP is designed to extract information that already exists in an employer's payroll system.

As such, it is not intended to impose any additional burden on employers, other than requiring them to report the information to the ATO sooner.

From a practical perspective, businesses must use **STP compliant software** to comply with the new obligations. This will necessitate updating or changing their current payroll software.

Generally, most payroll software providers will have already adapted their software to ensure the required reporting capability has been incorporated.

Once a business has adopted the appropriate software, ongoing reporting obligations should be dealt with as part of an automated software function.

Effectively, employers will send their employees' relevant payroll information required under STP to the ATO each time they run their payroll and pay their employees.

Crucially, in complying with their STP obligations employers will **not** change their payroll cycle.

When a business reports to the ATO via STP, the relevant employees will be able to view their year-to-date tax and super information through myGov.

As a result of STP reporting, a number of ongoing compliance obligations for employers will be streamlined, and/or removed. Some benefits for employers under STP include the following:

- The removal of the need to issue an annual *'Payment Summary'* to employees for payments reported to the ATO via STP, provided an employer lodges a '*finalisation declaration'* (i.e., generally by 14 July, although extensions are in place for the first year of STP implementation).
- The removal of the need to lodge a *'Payment Summary Annual Report*' for payments reported through STP.
- From 1 July 2019, STP will enable the pre-filling of BAS Labels **W1** (gross salary and wages and other payments) and **W2** (amounts withheld from salary, wages and other payments) for employers that are small or medium withholders.
- The streamlining of employee documentation such as the lodgment of *'TFN Declarations'* and *'Withholding Declarations'* via enabled software.

Editor: It is important to understand that STP does not impact or change when employers must actually remit PAYG withholding amounts to the ATO or make super contributions. The new STP obligations simply affect when employers must report these payments to the ATO.

Original commencement date

STP commenced from **1 July 2018**, for employers with 20 or more employees (i.e., substantial employers).

When determining whether or not the 1 July 2018 start date applied, an employer was required to do a headcount of the number of employees they had on 1 April 2018.

Broadly included in the headcount were all full-time and part-time employees, casual employees who worked at any time during March 2018, overseas employees, any employees absent or on leave (paid or unpaid) and seasonal employees.

Pending STP commencement date for small employers now law

Small employers (being those with *less than* 20 employees) are now technically required to commence their STP reporting obligations from **1 July 2019**.

The intended STP obligations on small employers has only recently become law, with the *Treasury Laws Amendment (2018 Measures No. 4) Bill 2018* finally being passed by both houses of Parliament on 12 February 2019.

This means that from 1 July 2019 **all** employers, no matter their size, will generally be required to comply with the STP reporting obligations.

The ATO says it will be writing to small employers who have 19 or less employees and already use payroll software to tell them about STP, and remind them that if their payroll software offers STP, they can update their software and start reporting now.

Solutions for micro employers

For micro employers (generally defined as businesses with one to four employees) who do not currently have payroll software, a range of simple, low-cost solutions are expected to be available from early 2019.

These solutions may include mobile apps, simple reporting solutions and portals.

An alphabetical list of the companies intending to offer these solutions has been published on the ATO website (and reproduced for your reference below).

The ATO does not (and nor does our firm) specifically endorse any of the suppliers listed below:

- ❑ AccXite Pty Ltd
- ❑ BAS Off Pty Ltd
- ❑ Catsoft
- ❑ Easy Pay Slip Pty Ltd
- ❑ Employment Hero Pty Ltd
- ❑ e-PayDay Pty Ltd
- ❑ ePayroll
- ❑ Etax Accountants Pty Ltd
- ❑ Free Accounting Software
- ❑ Globe BD
- ❑ GovReports
- ❑ Intuit Australia Pty Ltd
- ❑ LodgeiT Pty Ltd
- ❑ Ironbark Software
- ❑ Myaccountant Technology Pty Ltd
- ❑ MYOB Australia Pty Ltd
- ❑ OB Secure Messaging
- ❑ Sodapay
- ❑ PwC Australia
- ❑ Reckon Australia Pty Ltd
- ❑ Single Touch Pty Ltd
- ❑ SRI Enterprise Software Pty Ltd
- ❑ Xero Australia Pty Ltd

Flexible ATO implementation

The Commissioner of Taxation, Chris Jordan, recently made a personal guarantee that the ATO's approach to STP will be *"flexible, reasonable and pragmatic"*.

In particular, despite the 1 July 2019 start date for small employers, the Commissioner has stated that they can start STP reporting any time from **1 July 2019** to **30 September 2019**.

This effectively provides a **three-month implementation reprieve** for small employers.

The ATO has also indicated that there will be no penalties for mistakes, missed or late reports for the first year and exemptions will be provided from STP reporting for employers experiencing hardship, or in areas with intermittent or no internet connection.

Finally, the ATO has reminded taxpayers that more businesses are now eligible for most small business tax concessions.

Specifically, from 1 July 2016, a range of small business tax concessions became available to all businesses with an **aggregated turnover of less than $10 million** (i.e., the turnover threshold).

Previously the turnover threshold was less than $2 million. The $10 million turnover threshold applies to most concessions, except for:

- the SBITO – which has a **$5 million** turnover threshold from 1 July 2016; and
- the small business CGT concessions – which continue to have a **$2 million** turnover threshold.

Note: The relevant turnover threshold for accessing the lower company tax rate is **$50 million** from the 2019 income year (increased from $25 million in the 2018 income year).

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

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