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Business News

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## Coalition's tax policies: How do these impact on businesses?

The Federal Election has come and gone. The Coalition has won and will be the next Federal Government.

The Coalition will have a majority of seats in the House of Representatives in their own right but not the Senate. This may make the passing of their tax and other proposals into law difficult.

Here we focus on the Coalition's tax proposals highlighting the impact they may have on small and medium businesses and their owners.

### Uncertainty around the Coalition's tax policies and proposals

Many of the Coalition's proposals were outlined in the Federal Budget on 2 April. Some proposals have already been passed into law – an example is the immediate tax write-off of the cost of buying plant and machinery.

Others like the tax offset for low-and middle-income earners that will only become available on the filing of the 2019 tax return, have not. It is highly unlikely that the Prime Minister will be able to call Parliament and pass the necessary law before 30 June.

In a perfect world, it is desirable that tax legislation should have a prospective start date to provide certainty, and time for the proposal to be properly considered. Unfortunately, this is not always the case.

If you believe that any of the proposals outlined here may apply to you or your business, please consult us. ■

## Tax breaks available to both small and medium businesses for the 2019 tax return

### Instant asset write-off

Businesses can claim an immediate tax write-off and reduce their tax payable when buying new business assets, but cost caps apply.



## Small businesses with a turnover of less than \$10 million

If you are a small business with total turnover of less than \$10 million, the instant asset write-off is available to you for all new or second-hand machinery, plant, cars and equipment (eg tools, display cabinets, freezers, delivery vehicles).

Cost caps apply depending on when the asset is first used or installed and ready for use.

If the time of first use or installation ready for use is between:

- 1 July 2018 – 28 January 2019: assets must cost less than \$20,000
- 29 January 2019 – 2 April 2019: assets must cost less than \$25,000
- 3 April 2019 – 30 June 2020: assets must cost less than \$30,000.

There is no limit to the number of assets that can be claimed.

For businesses claiming GST, the tax write-off cost excludes GST.

For businesses not claiming GST, the tax write-off cost includes GST.

**Note!** Registering for GST is optional if total sales are less than \$75,000.

This tax break currently ends on 30 June 2020. There is an expectation that the Government may extend this provision.

### What about assets that are more than \$30,000?

For assets costing more than \$30,000A or the cost caps of \$20,000 or \$25,000, for the relevant periods, businesses can use the simplified tax depreciation pooling provisions and depreciate those assets at 15% in the first year and 30% each year thereafter.

If on 30 June 2019 the simplified tax depreciation pool balance is less than \$30,000, then this amount can be immediately written off for tax purposes.

### Case study: How the instant asset write-off works

Here is a case study of how the instant asset-write-off works:

Early Bird Café is a business registered for GST with a turnover of \$5m.

- On 12 December 2018, Early Bird Café paid \$16,500 (and was entitled to a GST credit of \$1,500) for a counter top for the new café extension which opened for business after all construction was completed on 17 January.

*An immediate tax write-off of \$15,000, as the counter was first used before 28 January.*

- On 27 January 2019, Early Bird Café took delivery of a walk-in refrigerator, but it was not installed and ready for use until 6 February 2019. Payment of \$25,300 including GST was made on 27 April 2019.

*An immediate tax write-off of \$23,000 as the walk-in refrigerator was installed and ready for use before 2 April 2019. Delivery and payment dates are not taken into account. The write-off is the GST exclusive value. The GST of \$2,300 is claimable in the BAS return.*

*If the café business was not registered for GST (total sales being below \$75,000) there would be no immediate tax write-off because the cost to the business is \$25,300 and is more than the cost cap of \$25,000.*

- On 30 June 2019, the balance in the simplified tax depreciation pool was \$28,500.

*An immediate tax write-off of \$28,500 as the balance in the simplified tax depreciation pool is less than the cost cap of \$30,000.*

- On 20 July 2019, Early Bird Café took delivery of a van costing \$44,000 including GST funded by a bank loan.

*No immediate tax write-off as the cost of \$40,000 is more than the cost cap of \$30,000. Annual depreciation rules will apply to the \$40,000 cost of the van. GST of \$4,000 is claimable in the BAS return. ■*



## What other measures are available to small businesses?

### **Easier for businesses to use their losses**

A new similar business test has been introduced, making it easier for a loss business to transfer its losses to a profit business where the businesses are similar.

The similar business test now means same assets, same activities, same identity with differences only coming from natural growth.

### **New GST withholding obligations on the purchase of new residential premises**

From 1 July 2018, purchasers of new residential premises must pay vendors a GST exclusive amount and send the GST direct to the ATO.

### **No tax deductibility of employer payments to employees if PAYG obligations not met**

From 1 July 2019, an employer will be allowed a tax deduction for payments to an employee only when the PAYG withholding obligations have been met. These are: the withholding of the tax when the employee is paid and the reporting of that amount to the ATO.

### **Cheaper, quicker and less intimidating resolution of ATO disputes**

For small businesses, a new process has been introduced making the resolution of ATO disputes arising from minor technical matters identified in the tax return or an audit, cheaper, quicker and less intimidating.

Applications will be considered by a small business division of the Administrative Appeals Tribunal to commence from 1 July 2019 and be generally conducted without lawyers.

If for any reason, the ATO engages external lawyers, they will be obliged to pay the business' cost of equivalent support. Decisions need to be given within 28 days of the hearing.

**Tip!** We will be able to advise if in your circumstance this approach is in the best interest of your business or yourself. ■



### **Medium businesses with a turnover of more than \$10 million but less than \$50 million**

If you are a medium business with total turnover of more than \$10 million but less than \$50 million, you can claim an immediate tax write-off for assets costing less than \$30,000 if they were purchased after 2 April 2019 and first used or installed and ready for use by 30 June 2020.

These businesses are not able to claim the immediate tax write-off for purchases before 2 April, as the immediate tax write-off provision did not apply to them before that date.

For assets costing more than \$30,000, the annual depreciation rules will apply. There is also no immediate tax write-off for depreciation account balances below \$30,000. ■



## Single touch payroll extended to all employers

From 1 July 2019, single touch payroll – the direct reporting of salary and wages, PAYG withholding and superannuation contribution information to the ATO – will apply to all employers. What employers need to report will also be extended to include certain salary sacrificed amounts.

Employers with 20 or more employees have been required to use single touch payroll since 1 July 2018. The new rules push all businesses with employees into the single touch payroll system. While this would generally include the situation where payments are made to the owners of the business in the form of salary, wages or directors fees, the ATO is providing some leniency around this for a limited period of time.

A number of software providers have now released low cost payroll options for micro employers (1-4 employees). MYOB and Xero have announced new \$10 per month offerings (limited to 4 employees) with other software houses following suit.

The ATO also states that to assist micro employers there will be, “a number of alternate options that are not available to employers with 20 or more employees – such as initially allowing your registered tax or BAS agent to report quarterly, rather than each time you run your payroll.”

While the start date for small employers will technically start on 1 July 2019, the Commissioner of Taxation released a statement indicating that small employers can actually start reporting through single touch payroll any time from 1 July 2019 until 30 September 2019. No penalties will be applied to mistakes, missed or late reports for the first year.

Plus, if your business is in an area with no viable internet connection, such as some rural and remote regions, then exemptions may apply.



## Key tax dates

Date	Obligation
21 Jun 2019	May monthly BAS due
25 Jun 2019	Lodge 2019 FBT annual return for agents if lodging electronically
30 June 2019	Super guarantee contributions must be paid by this date to qualify for a tax deduction in the 2018-19 financial year
15 Jul 2019	Issue PAYG withholding payment summaries
22 Jul 2019	June monthly BAS due
29 Jul 2019	- June quarter SG due - June quarter BAS due June quarter PAYG instalment due
1 Aug 2019	August fuel tax credit rates change
14 Aug 2019	PAYG withholding annual report due
21 Aug 2019	July monthly BAS due
28 Aug 2019	- Taxable payments annual report due June quarter SG charge statement due

### DISCLAIMER

The information provided in this newsletter is general in nature and does not constitute specific advice. Taxation laws are continuously changing, often at short or no notice. Readers are encouraged to consult us for advice on specific matters.