Tax News - March 2019

Increasing and Extending the Small Business Instant Asset Write-Off

The Government has introduced legislation into Parliament that will increase and extend the instant asset write-off for small businesses.

This legislation will increase the instant asset write-off threshold from $20,000 to $25,000 and extend the initiative for another year from its existing June 2019 end-date to 30 June 2020.

Small businesses with an aggregated annual turnover of less than $10 million will now be able to claim an instant write-off for individual assets costing less than $25,000 acquired from 29 January 2019 when this increase was announced.

The increase and extension of this initiative will improve cash flow for small business owners by bringing forward tax deductions, providing a boost to small business activity and encouraging more small businesses to reinvest in their operations and replace or upgrade their assets.

Single Touch Payroll Extended to Small Businesses

Single Touch Payroll (STP) is a new way for employers to report their wages obligations to the ATO in real time each payday. This includes reporting of wages, PAYG Withholding and superannuation obligations.

Parliament has recently passed legislation to extend STP reporting to employers with 19 or less employees from 1 July 2019. Businesses with 20 or more employees began reporting on 1 July 2018.

STP information can be lodged through existing payroll software so long as it is updated to offer STP reporting.

The ATO says businesses won't be forced to purchase payroll software and different STP reporting options will be available by 1 July 2019 including:

- Exemptions for businesses with unreliable or no internet connection.
- Micro employers can report quarterly, rather than every time they run their payroll.
- Low-cost STP reporting options will include simple payroll software and mobile phone apps at or below $10 a month for micro employers.

The ATO will adopt a flexible and reasonable approach in dealing with the transition to STP. There will also be no penalties for mistakes, missed or late reports in the first year.

Proposed Changes to Division 7A from 1 July 2019

Division 7A of the Tax Act is an anti-avoidance measure that aims to prevent the tax-free distribution of profits from private companies to shareholders or their associates (e.g. relatives of individual shareholders or entities within the same family group of company shareholders).

Specifically, Division 7A targets the following types of transactions often used to try and extract money from companies through:

1. Loans from a private company to shareholders or associates;

2. Payments from a private company to shareholders or associates; or
3. The forgiveness of debts owed to a private company by shareholders or associates.

Division 7A deems such distributions to be unfranked dividends in the year the loan is made (i.e. a shareholder or associate is deemed to receive an unfranked dividend and is not entitled to receive franking credits). This can result in a significant tax liability.

Currently, the main strategies to either eliminate or minimise the risk of Division 7A applying is to convert such loans to either a complying:

- 7-year loan (for unsecured loans); or
- 25-year loan (for secured loans).

However, from 1 July 2019, the Government proposes to replace these 2 types of loan arrangements (i.e. 7 or 25 years) with a single 10-year term loan.

To ease the conversion to a 10-year loan from 1 July 2019, transitional rules will apply for 7 or 25 year loans that are on complying terms as at 30 June 2019.

GST on Exported Goods & Services

Goods are GST-free if they are exported from Australia within 60 days of:

- Receiving any payment for the goods; or
- Issuing an invoice for the goods before receiving any payment.

For service exports, there are specific rules that determine if their sale is GST-free. Generally they are GST-free if the recipient is outside Australia.

Businesses need to keep a close eye on their status as an exporter. A change to the International Commercial (Inco) delivery terms could lead to a business no longer being considered an exporter, meaning GST will become payable on the supply.

The ATO encourage businesses to make a voluntary disclosure if a mistake is discovered in reported GST amounts on international cross border transactions.