

Practice Update

Please read this update and contact our office 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.

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.

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

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.

Single Touch Payroll

Understanding STP obligations

Single Touch Payroll ('STP') is a Government initiative aimed at 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.

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. We recommend you check with your software provider, or by viewing their website, that they are compliant.

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

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

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 of the benefits for employers under STP include:

- ❑ The removal of the need to issue an annual 'Payment Summary' to employees for payments reported to the ATO via STP,
- ❑ The removal of the need to lodge a 'Payment Summary Annual Report' for payments reported through STP.

- ❑ From 1 July 2020, 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.

Original commencement date

STP commenced from 1 July 2018 for employers with 20 or more employees.

From 1 July 2019 all employers, no matter their size, will generally be required to comply with the STP reporting obligations.

The ATO will be writing to small employers who have 19 or less employees and already use a payroll system 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 small employers

For 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.

A list of companies offering these solutions has been published on the ATO website.

Flexible ATO implementation

The ATO's approach to STP will be "flexible, reasonable and pragmatic". Small employers 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.

We will provide you with more information about STP in the coming months.