



# Trevor Wolff & Associates

ABN: 46 289 685 014  
For Taxation & Business Solutions

Phone: (07) 3396 1025  
Fax: (07) 3396 1905  
Email: admin@wolffaccountants.com.au  
Web: www.wolffaccountants.com.au

PO Box 5131  
MANLY QLD 4179  
2/17 Nirimba Street  
MANLY WEST QLD 4179

## Business Supplement 2017

### Important Dates to Remember

|                |  |
|----------------|--|
| 14 July 2017   | PAYG Statements should be issued to employees              |
| 14 August 2017 | PAYG Payment Summary Report to be sent to the ATO          |
| 28 August 2017 | Taxable Payments Report – Building & Construction Industry |

#### PAY

#### SUPERANNUATION GUARANTEE BEFORE

- 28 July 2017
- 28 October 2017
- 28 January 2018
- 28 April 2018
- 28 July 2018

#### QUARTERLY BAS DUE

- 28 July 2017
- 28 October 2017
- 28 February 2018
- 28 April 2018
- 28 July 2018

Dear clients,

#### Changes to 2017 Tax Returns

- Reducing the company tax rate**  
The government has cut the small business company tax rate to 27.5%, and made this tax rate available to small companies with an annual aggregated turnover of less than \$10 million.
- 5% tax discount for unincorporated small business (sole trader) and income is NOT PSI.** The discount is available to sole traders and members of partnership and beneficiaries of Trust on their share of the net business income. This discount is not available to minors unless they are in business in their own right. The discount is capped at \$1,000.
- An immediate write-off for start-up small business.** These costs for previous years were referred to as "blackhole expenditure" and were claimed over 5 years. These are capital expenditure costs which are not normally tax deductible, and can now be claimed in the year they were incurred.
- Data Matching**  
The ATO has announced that it will acquire data from businesses that it visits as part of its employer obligations compliance program during the 2016-17, 2017-18 and 2018-19 financial years.

- The data it says will be collected includes:
  - ABN of the payer business
  - ABN of the payee business (or contractor)
  - The name, address and contact details of the contractor
  - Dates of payment to the contractor, and
  - Amounts paid to the contractors (including details of whether the payment included GST).

These records will be electronically matched with other data holdings to identify non-compliance regarding registration, lodging records, reporting and payment obligations and so on under taxation laws.

The ATO says it is estimated that records for 25,000 entities will be obtained, including the records of 12,500 individuals. It says a document describing the program has been prepared in consultation with the Office of the Australian Information Commissioner.

- Immigration visa holders** – the ATO has acquired names and addresses and other details of visa holders, their sponsors, and migration agents for the 2013-14, 2014-15, 2015-16 and 2016-17 financial years from the Department of Immigration and Border Protection.
- EBay online sellers** – the ATO is acquiring online selling data relating to registrants who sold goods and services to a value of \$12,000 or more. These records will be electronically matched with certain sections of ATO data holdings to identify non-compliance with registration, lodgement, reporting and payment obligations under taxation laws.

The Tax Office has reminded us that if you operate a business you need to lodge Tax Returns regardless of the income even if the income is below the Tax Free threshold.

#### STOP PRESS

#### BUREAUCRACY GONE MAD - MORE RED TAPE

If you wish to sell your residence for more than \$750,000 after 1 July 2017, you will need a clearance certificate from the Tax Office stating you are an Australian Resident. Without this Clearance Certificate, which could take up to 2 weeks after application to come through, 12.5% of the sale price may be deducted from your sale and sent to the Tax Office.

#### News Updates

The Tax office has stated that they will be looking closely at the shared economy i.e.

Air BnB

Uber

Note. If you are in business and not registered for GST and you wish to supplement your income by taking on Uber Driving, you must register for GST as Uber Driving is classes as Taxi driving and taxi drivers are required to be registered for GST.

The outcome will be that your other business is now registered for GST and the income from your business and

Uber Driving are added together and you will pay GST on the total earnings.

The Tax office also will be looking at PSI income i.e. correctly claiming expenses against this income and not sharing the income if the business is operated through a company or trust.

There is always a lot of confusion when employing subcontractor/contractors. The Tax office likes to think that they are really only employees. If you are employing contractors and you wish to clarify that you are employing them correctly check the ATO website for the Tool Employee / Contractor, if it comes up as employee then there is a good chance that the Tax Office looks at your operation you will be liable to pay Superannuation Guarantee for each employee/contractor and cop a large fine. All of which will not be tax deductible. I have known businesses to go down the tubes and audited by the Tax Office.

Another check that you could carry out is on the Work Cover site RE contractor / employee, if Work Cover considers that your contractor/employee is in fact an employee then you will have to pay personally the compensation claim..

Note that the reportable payments for contributions in the Building & Construction is due to be lodged by the end of August.

Next year the Cleaning and Courier business will also have to report contractor's earnings to the Tax office.

The Tax Office again this year will be looking at Rental Property income and deductions, they will be looking at holiday homes in particular and records kept private use.

### **Here is a scary proposal.**

The Federal Government has announced that from 1 July 2017 the Australian Taxation Office (ATO) will be given the power to disclose to a credit reporting bureau (CRB) the tax debt information of businesses where those debts have been outstanding for more than 90 days and where the taxpayer has not effectively engaged with the ATO in managing their debts. The Government announced this change in its Mid-Year Economic & Fiscal Outlook 2016-17.

This power may have significant consequences and all business taxpayers should be aware of the potential ramifications should they fail to effectively manage their ATO tax debts.

Up until now, there have been privacy provisions in place to restrict the ATO from disclosing a taxpayer's tax debt to any third party. The introduction of these new powers is arguably an attempt to strengthen the debt recovery muscle of the ATO, as the exercise of these powers is likely to put commercial pressure on recalcitrant taxpayers.

The Federal Government's rationale for the proposed new powers is to:

1. reduce any unfair advantage which may currently exist for businesses that do not pay their tax on time;
2. provide information to credit providers and other businesses to allow them to assess the risk of extending credit or terms of trade to taxpayers with unpaid tax debts; and
3. provide taxpayers with a strong incentive to engage with the ATO to address outstanding tax issues.

### **When will the ATO report a tax debt?**

The ATO will have a discretion whether or not to disclose an unpaid tax debt to a CRB. It is not obliged to disclose that information. The ATO has indicated that it understands that taxpayers will have cash flow issues from time to time, and has acknowledged that it will not report unpaid tax debts that are genuinely in dispute or where the taxpayer has entered into, and complies with, a payment arrangement.

Further, the ATO has indicated that it will only use its powers if a business taxpayer has failed to properly engage in relation to the process. While the ATO is yet to confirm the specific grounds, it suggests that tax debts will only be reported where:

- the taxpayer has an ABN;
- the debt is over \$10,000;
- the debt has been unpaid for 90 days;
- the debt is not in dispute;
- the taxpayer has not entered into an effective payment plan; and
- the taxpayer has not effectively engaged with the ATO.

### **The taxpayer will be notified**

Before the ATO discloses information to a CRB, it will notify the taxpayer of its intention to do so. The period of notice is unclear at this stage. It is likely that they will be required to give the taxpayer "reasonable" notice and it is important that clients remain engaged with the ATO.

### **How will this affect businesses?**

The reality is that the moment the ATO reports a client's unpaid tax debt to a CRB, this default or black mark will be recorded on the taxpayer's credit file, and will remain there for five years. Historically, it has been difficult to remove such black marks from such credit files. Usually, this would only be removed if it can be shown that it was wrong and should not have been recorded on the file. That may take many months to establish. In addition, even if the unpaid tax debt is later paid, the default will remain on the credit file for 5 years.

### **How to avoid the problem**

The ATO suggests that business taxpayers should engage early to address any outstanding tax issues and take the following steps:

- ensure all accounting data entries are up-to-date;
- make sure all BAS & IAS are lodged by due dates;
- if a business has an overdue debt with the ATO, contact the ATO immediately to discuss a payment plan;
- if a tax debt is in dispute, endeavour to communicate with the ATO to resolve the dispute; and
- if a tax debt is not dispute, engage with the ATO to enter into a payment arrangement.

### **A warning to small business owners and directors**

Should the ATO report an unpaid tax debt to a CRB, that is likely to have a significant negative impact on the reputation of that small to medium enterprise and its directors, which may prove fatal. It will almost certainly impact on the ability to obtain goods on credit from suppliers and may result in financiers' withdrawing their support.

It is likely to make it very difficult for defaulting businesses to access funding from banks or other lenders. Even if financiers agree to lend money to businesses in these circumstances, it is likely that it will do so at higher interest rates.

This new regime is likely to cause many businesses to go broke, which may well be appropriate in particular cases. This will often have personal consequences to small business owners and directors.