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In the previous edition of *TaxWise Business*, we noted that these small business concessions will change for the 2017 income year:

- the tax rate for small businesses operating through corporate structures will be further reduced to 27.5% where the aggregated turnover is less than \$10 million;
- the tax offset for unincorporated entities will be progressively increased from 5% to 16% over the next 10 years (starting with 8% remaining constant for the next eight years then moving to 10% in the 2025 income year, 13% in the 2026 income year and 16% in the 2027 income year). However, the cap remains at \$1,000.

The [Treasury Laws Amendment \(Enterprise Tax Plan\) Bill 2016](#) which contains these measures is, at the time of writing, sitting before the House of Representatives.

Single Touch Payroll

On 31 August 2016, the **Budget Savings (Omnibus) Bill 2016** was introduced into the House of Representatives, which contains a number of measures relating to budget savings. This includes the “Single Touch Payroll” reporting framework.

“Substantial employers” (with 20 or more employees) will be required to automatically provide payroll and superannuation information to the Commissioner of Taxation (Commissioner) at the time it is created. Entities that report under this framework will not have to comply with a number of existing reporting obligations under the taxation laws.

A pilot will be run by the ATO to test whether the Single Touch Payroll reporting framework should also be adopted by employers with less than 20 employees in the near future.

2016 PAYG withholding schedules

On 2 September 2016, the ATO made a legislative determination entitled the **Taxation Administration Act Withholding Schedules October 2016**

Christmas hours

Our office will be closing for the Christmas and New Year period. Our last day will be Friday the 23rd of December 2016 and we will reopen on Monday the 9th of January 2017 at 9am.

We take this opportunity to wish you a

Merry Christmas

and a

Safe and Happy New Year.

Your small business may be entitled to a lower tax rate

Depending on the structure of your business, the lower tax rate of 28.5% may apply to your business if you run your business through a company for the 2016 year. Your aggregated turnover must be less than \$2 million. This lower rate also applies to small businesses that are corporate unit trusts and public trading trusts.

If you run your business through a non-corporate structure, such as a sole trader, partnership or trust, you are also entitled to receive a tax offset of up to 5% of your tax payable capped at \$1,000.

(legislative instrument F2016L01380; registered 2 September 2016).

The instrument makes the withholding schedules, which set out the amounts, formulas and procedures to be used for calculating the amount required to be withheld by entities from withholding payments. The withholding schedules facilitate the collection of income tax, Medicare levy, Higher Education Loan Program, Student Start-up Loans, Trade Support Loans and Financial Supplement repayments.

These withholding schedules are being updated to incorporate the rates and thresholds contained in the [Treasury Laws Amendment \(Income Tax Relief\) Bill 2016](#). The change is to the third personal income tax threshold from \$80,000 to \$87,000. These updates are needed in order for businesses to work out the amount they must withhold from payments made to individual taxpayers.

The date of effect for these schedules is **1 October 2016**. Employers, payroll providers and software developers were advised by the ATO of this change well in advance to ensure systems were updated appropriately by this time.

From 1 October 2016, employers are required to lower the amount of tax withheld for affected taxpayers to factor in the new lower tax rate. Any tax overpaid beforehand will be refunded by the ATO on assessment after the end of the 2016-2017 financial year.

The instrument contains eight withholding schedules. Each schedule provides information for calculating the withholding amount, taking into account the particular circumstances presented in the schedule.

Note that this legislative instrument will revoke eight schedules which formed part of the *Taxation Administration Act Withholding Schedules 2016* (legislative instrument F2016L01035; registered 16 June 2016). The revoked schedules have been superseded by the eight schedules made by the new instrument.

To do!

All employers must make sure that they have made appropriate changes to their payroll systems to ensure they are withholding and reporting the correct amounts from employees.

Super Changes

The changes to the superannuation (super) system, announced by the Australian Government in the May 2016 Budget, have now received Royal Assent. These changes were designed to improve the sustainability, flexibility and integrity of Australia's

super system. Most of the changes will commence from 1 July 2017.

An overview of the changes is below. More detailed information will become available over the next two weeks to help you understand the changes, how they may affect you and what you may need to know and do now or in the future.

- Spouse Tax offset
- Personal superannuation contributions deduction
- Low income superannuation tax offset
- Introducing a transfer balance cap of \$1.6M for pension phase accounts
- Reduction of Division 293 income threshold to \$250,000
- Lowering the non-concessional (post-tax) contributions cap to \$100,000 per annum
- Reduction of concessional (pre-tax) contributions cap to \$25,000 per annum
- Carry-forward concessional contributions of unused caps over 5 years
- Improving the integrity of retirement income streams
- Removal of anti-detriment payment
- Innovative retirement income stream products

Australian Taxation Office Super changes article:

<https://www.ato.gov.au/Individuals/Super/Super-changes/?tpissue-47-2016>

Reinventing the ATO: blueprint for change released

The ATO has asked its clients how they use the tax and superannuation systems, and what they want. The feedback the ATO received was that the ATO should fix the basics, provide certainty, tailor services to clients' needs and help them navigate the system.

From this consultation the ATO has created a [blueprint for change](#), which provides a clear line of sight over what they want to achieve. The measure of success will be client satisfaction and community participation in the tax and superannuation systems.

Some improvements from the blueprint have already been delivered, including for:

- [small business](#);
- [privately owned and wealthy groups](#); and
- [self-managed super funds](#).

Proposed changes to the ATO approach to penalties

The ATO is proposing to make changes to their approach to penalties as they apply to businesses and individuals. As part of the proposal, the ATO will take a “one chance” approach before applying a penalty in the following circumstances:

- for certain small business and individual clients, the ATO will not apply penalties for false or misleading statements for failure to take reasonable care for errors made in income tax returns and activity statements; and
- the ATO will not apply failure to lodge on time penalties for late lodgement of income tax returns and activity statements.

This will apply to the first error and late lodgement subject to penalty. The ‘one chance’ timeframe will be refreshed after a set period of time. The ATO will confirm in writing to these small business and individual clients that, while they were liable to a penalty, the ATO has chosen not to apply one on this occasion.

The ATO is of the view that it is open to the Commissioner to exercise his general powers of administration and therefore does not require a law change to adopt such an approach.

While detailed design would determine the extent of its application, if community consultation supports this proposal, it is expected the following parameters may apply:

- it would be available to small businesses (with turnovers under \$2 million) and individuals subject to some criteria, with eligible clients being informed at the time the ATO provides the ‘one chance’ opportunity;
- it would not be available to clients who demonstrated reckless or dishonest behaviour and those who disengage and cease communicating with the ATO during an audit or review;
- the ATO would explain that although a taxpayer could have received a penalty, it has not on this occasion;
- all clients will receive a clear explanation of how the error occurred and understand what they need to do to get things right in the future;
- after a defined period of time (e.g. a three or four-year financial cycle) the opportunity would be reset. Given the frequency of reporting for activity statements, when considering late lodgement penalties, this set period may be different for income tax returns and activity statements;

- after the ‘one chance’ opportunity has been provided, failure to lodge on time would automatically apply if lodgement was not received by the due date; and
- consistent with current administration, interest charges would remain payable on any amounts outstanding after the date they are due for payment.

Note!

Your tax agent is the best person to assist you and your business with any penalty notices received regardless of whether the ATO adopts the proposal outlined above.

Building better incubators to support new Australian start-ups

On 20 September 2016, the Government launched the [Incubator Support Initiative](#) at Sydney-based fintech hub Stone & Chalk to help new Australian businesses and start-ups accelerate and scale-up their operations for launch into global markets.

The Incubator Support Initiative is a new element of the Entrepreneurs' Programme and is one of the measures under the National Innovation and Science Agenda (NISA). The initiative includes \$23 million to assist with the creation of new business incubators which will help start-up companies access advice, capital and valuable connections.

Applications are now open for matching grants between \$10,000 and \$500,000 for the creation of new incubators in regions or business sectors with strong links to international trade, and for existing, high-performing incubators to expand their services.

For more information, visit the website of the [Minister for Industry, Innovation and Science](#).

Tip!

Consider also the ‘tax incentives for early stage investors’ outlined in previous editions of *TaxWise Business*.

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