TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

EDITION
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Public Accountants & Registered Tax Agents

Single Touch Payroll exemptions

Single Touch Payroll (STP) reporting has been extended to include all businesses from 1 July 2019 and there are exemptions that employers need to be aware of.

Financial year exemptions:

Businesses may be exempt from reporting through STP for one or more financial years, or exempt from reporting certain payments. Insolvency practitioners for employers that are required to report through STP are not required to report through STP on their behalf in 2018-19. Administrators of long service leave or redundancy schemes, who don't use STP-enabled payroll software to manage payments to members, are exempt from reporting those payments through STP for the 2018-19 and 2019-20 financial years. Employees' tax and super information will still need to be reported through STP. Those who have a withholding payer number, because they are registered for PAYG withholding and are not entitled to an ABN, are exempt from STP reporting for the 2018-19 and 2019-20 financial years.

There is no need to apply for exemptions or notify the ATO, although supporting records should be kept. Employers that are exempt from STP reporting for a particular financial year will need to start STP reporting in the following year or apply for another exemption. With the exemption from STP is in place, employers must continue to comply with their existing PAYG withholding obligations.

Employee exemptions:

Some employers may be exempt from reporting payments made to employees through STP for the 2018-19 financial year. Payments made by employers with 19 or less employees to closely held payees, such as directors and family members, are exempt from STP until 1 July 2020. Payments made to foreign employees will be exempt for the 2018-19 financial year if all of the following apply:

- The employee is employed by an offshore entity.
- The employee is seconded to Australia.
- All or part of the employee's base salary and other remuneration is paid by an offshore entity, and;
- A shadow payroll arrangement for the employee is maintained.

You will need to report any employee that does not meet all the criteria listed above. For the financial year commencing 1 July 2019, the ATO is considering concessional reporting arrangements for these types of employees.

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Restructure rollover for small businesses

As a business grows, it is possible that the original structure no longer satisfies the needs of the business and restructuring is necessary.

Typically when a business is sold, you would have to pay income tax due to transferring assets. However, when a business is restructuring, the ownership of assets remains unchanged, qualifying the business to receive the Small Business Restructure Rollover from the ATO. This allows for the transfer of active assets from one entity to one or more separate entities without incurring an income tax liability.

A business may be eligible for the small business restructure rollover provided that:

- The change is a genuine restructure as opposed to an artificial or inappropriately tax-driven scheme.
- There is no change to ultimate economic ownership in the sense that the economic owners of an asset are not changed or transferred, including if there is more than one owner of that asset

Businesses should note that there may be potential liabilities such as stamp duty or goods and services tax (GST) consequences to consider prior to restructuring.

The commissioner's remedial power has repealed laws that incurred tax consequences on depreciating assets during a business restructure. When transferring depreciating assets, like cars during a business restructure, the commissioner's remedial power will automatically apply. There is nothing businesses need to do differently to qualify for this tax exemption.

Personal tax changes now law

The Government's complete package of individual tax adjustments that were announced in the 2019-20 Federal Budget, have passed parliament and are now law.

On 4 July 2019, the Treasury Laws Amendment (Tax Relief So Working Australians Keep More Of Their Money) Bill 2019 passed all stages of parliament without amendment. This was shortly followed by the Royal Assent on 5 July 2019. This passed into law all three stages of the personal tax changes.

The first stage is to increase the low and middle-income tax offset (LMITO) and this comes into operation immediately. From 2018-19 to 2021-22, the non-refundable LMITO will increase from a maximum amount of $530 to $1,080 per annum. The minimum amount will increase from $200 to $255. This will be received by taxpayers as a lump sum payment after the lodgement of their income tax return, with the first effect being for the year ended 30 June 2019. The LMITO is temporary and will expire in the 2021-22 financial year.

The second stage is to increase the low-income tax offset (LITO). From 1 July 2022 when the LMITO ends, the Government will increase the LITO from $645 to $700. Taxpayers earning up to $37,000 will be entitled to the maximum LITO of $700.

The third stage are changes to the personal income tax thresholds. From 1 July 2022, the top threshold of the 19% personal income tax bracket will increase from $41,000 to $45,000. This was increased last year from $37,000 to $41,000. From 1 July 2024, the marginal tax rate will be reduced from 32.5% to 30%. This will change in order to more closely align the middle tax bracket of the personal income tax system with corporate tax rates.

Disclosing personal living expenses

During an audit, the ATO requests information to help identify unreported cash income when looking at household expenditure.

When making an assessment in the course of examining an individual's tax affairs, the ATO follow assessment guidelines that are presented in the form of questionnaire worksheets. These worksheets require taxpayers to provide particular details about the living expenses of their household. An individual may also be required to provide information to determine if they need to make adjustments to their business and record-keeping practices.

The questionnaire worksheet outlines what the tax office looks at when examining personal living expenses. The worksheets can be used at any time by individuals to:

- Compare their household income to expenses and assess if their declared income is enough to support their lifestyle.
- Review their record keeping.
- Make adjustments to their reported income.
- Consider whether making a voluntary disclosure is necessary.

Discrepancies in tax returns that have been discovered by individuals can be adjusted through voluntary disclosure. Making a voluntary disclosure will enable correction of tax affairs without admitting liability. Individuals would still have to pay any tax owed, interest and penalties applied. Taxpayers that voluntarily inform the ATO of mistakes before an audit may be eligible for reduced penalties.