

Practice Update

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.

Example

To illustrate, assume an individual acquires a van for \$22,000 (excluding GST entitlements) on 1 February 2019.

The individual is a small business entity and estimates the van will be used 90% for the business and 10% for private purposes.

Under the current rules, while the business-use portion of the cost of the van is less than \$20,000 (i.e., \$22,000 x 90% = \$19,800), an immediate deduction is not available because the entire cost is \$20,000 or more.

However, the van may be depreciated as part of the taxpayer's SBE small business pool.

In contrast, an immediate deduction of \$19,800 may now be claimed under the proposed changes, as the entire cost of the van is below the new threshold of \$25,000.

This measure is expected to affect more than 3 million eligible small businesses.

Editor: On 13 February 2019, the Treasury Laws Amendment (Increasing the Instant Asset Write-Off for Small Business Entities) Bill 2019 was introduced in the House of Representatives.

Once this Bill becomes law, it will open up opportunities for small businesses to claim an immediate deduction for depreciating assets (where they cost less than \$25,000) up until 30 June 2020.

Tax scam alert

With the emergence of new scam patterns and methods, the ATO has again warned taxpayers to be alert for scammers impersonating the ATO.

Specifically, the ATO is seeing the emergence of a new strategy where:

“scammers are using an ATO number to send fraudulent SMS messages to taxpayers asking them to click on a link and hand over their personal details in order to obtain a refund”.

The ATO has received reports of scammers maliciously manipulating the calling line identification so the phone number that appears is different to the number from which the call originated.

This is referred to as “spoofing” and is a common technique used by scammers to appear as legitimate entities.

It appears these new scams aim to steal taxpayers' personal details and identities.

The ATO has advised it will **not**:

- ◆ send an email or SMS asking a taxpayer to click on a link to provide login, personal or financial information, or to download a file or open an attachment;
- ◆ use aggressive or rude behaviour, or threaten taxpayers with arrest, jail or deportation;

- ◆ request payment of a debt via iTunes or Google Play cards, pre-paid Visa cards, cryptocurrency, or direct credit to a personal bank account; or
- ◆ request a fee in order to release a refund owed to taxpayers.

Editor: If you are unsure about a call, text message or email purportedly received from the ATO, the best advice is not to reply.

Should you have any concerns, you can call the ATO on 1800 008 540 to check if the contact was legitimate or to report a scam.

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.

New Australian business tax concession thresholds

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 also reminded taxpayers that more businesses are now eligible for most small business tax concessions.

Specifically, from 1 July 2016, a range of small business tax concessions became available to all businesses with an **aggregated turnover below the new \$10 million turnover threshold**.

The \$10 million turnover threshold applies to most concessions, except for:

- ◆ the SBITO – which has a **\$5 million** turnover threshold from 1 July 2016; and
- ◆ the small business CGT concessions – which continue to have a **\$2 million** turnover threshold.

Note: The relevant turnover threshold for accessing the lower company tax rate is **\$50 million** from the 2019 income year (increased from \$25 million in the 2018 income year).

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.