



Budget Wrap Up - Part Two

A BUSINESS GROWTH BASED BUDGET

The 2019 Federal Budget focuses on building a better tax system for Australian businesses in order to create a stronger economy.

Instant asset write-off:

The instant asset write-off threshold will be increased from \$25,000 to \$30,000 and be extended from businesses with an annual turnover of up to \$10 million to medium-sized businesses with a turnover of less than \$50 million. The threshold will apply on a "per asset" basis, meaning that eligible businesses can instantly write off multiple assets. The new rules will apply from 2 April 2019 and are set to remain in place until 30 June 2020.

Simplified depreciation pools:

The concession has been extended to allow small businesses to place assets into the small business simplified depreciation pool where they cannot be immediately written off, allowing assets to be depreciated at 15% in the first year and 30% each subsequent income year.

Lowered tax rates:

Companies with an annual turnover of below \$50 million will have their tax rate lowered to 25% by 2021-22, five years earlier than previously planned. Changes to the unincorporated small business tax discount rate will also be accelerated, increasing from the current rate of 8% to 16% by 2021-22 up to the cap of \$1,000.

Reducing red tape:

The Government has introduced a number of measures to make running a small business a little easier. These include streamlining GST reporting for small businesses by reducing the number of BAS GST questions and assisting small businesses involved in disputes with the ATO.

Integrity of the tax system:

Maintaining the integrity of the tax system remains a key part of this budget. The Budget provides resources to help monitor high-risk industries dealing in the "black economy" and ensure that all businesses meet their payment obligations with respect to tax and superannuation.

The Government has announced further resources will be provided to improve their ability to recover unpaid taxes and superannuation.

ATO statistical analysis:

From 2018-19, the Government will provide funding over two years to increase the ATO's analytical capabilities. This will include migrating the ATO to a new data centre facility and demonstrating a commitment to improving information the Tax Office relies on to better detect unusual taxpayer behaviour.

The Government announced that it will defer the start date of the proposed changes to Division 7A rules by a year, from 1 July 2019 to 1 July 2020. The rule requires benefits provided by private companies to related taxpayers be taxed as dividends unless they are structured as complying loans or subject to other exemptions. The proposed amendments include simplifying Div 7A loan rules to make it easier for taxpayers to comply.

CHANGES TO PAYG WITHHOLDING OBLIGATIONS

New penalties for business' Pay As You Go (PAYG) withholding and reporting obligations will commence 1 July 2019.

You will only be able to claim deductions for payments made to employees and certain contractors where you have met the PAYG withholding rules for each payment

Payments that are impacted include salary, wages, commissions, bonuses or allowances to an employee, payment under a labour-hire arrangement or payments for a supply of service.

Specifically, the new laws will prevent an employer from claiming a deduction for payments to employees if they:

- Fail to withhold an amount from the payment as required under PAYG withholding rules.
- Fail to report a withholding amount to the ATO

This measure highlights a key reason why governance across all employment tax is important. If you make a mistake by failing to withhold an amount or to report it and you voluntarily disclose this to the ATO before an audit or other compliance activity in regards to your tax affairs, your business will not lose its deduction. Taking early action to ensure your business is compliant to these updated PAYG withholding laws will make a difference to whether you remain eligible for deductions.

A tailored approach for each business is recommended so call us for assistance and advice on 4927 4588 (Rockhampton) or 4939 1766 (Yeppoon) to see how we can help.

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UNDERSTAND WHAT YOUR
FINANCIAL GOALS ARE, AND
HELP YOU ACHIEVE THEM.**

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- BUSINESS STRUCTURES AND SUCCESSION PLANNING
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