
Welcome to our latest e-newsletter.

It's our first edition for 2015. We unpack the Board of Taxation's report into the Australian tax system and some of the factors that stifle efficient business, and report on the axing of the Government's Paid Parental Leave proposal. We also welcome Claire back after 12 months' maternity leave.

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Report on Tax Impediments Facing Small Business



Small business owners are only too aware of the time and cost involved in administering the seemingly endless requirements of Australia's complex tax system. The current Federal Government committed itself at the last election to addressing the negative impact this has on small business, and in March 2014 announced that the Board of Taxation had been commissioned to undertake a review intended to identify aspects of the system that were hindering small business. [The Board's report](#) was released on 20th January 2015.

Submissions for the review were received from a broad cross-section of Australia's business community, including representative bodies from various industries, accounting firms and regional Chambers of Commerce.

Overall, it's fair to say that there weren't a whole lot of surprises. Those areas identified as being excessively burdensome would be familiar to most small business owners. They included the preparation and frequency of Activity Statements, applying for and

managing ABNs, employee/contractor arrangements, managing superannuation payments for employees, Fringe Benefits Tax (the entire system) and the Personal Services Income (PSI) rules.

The report also noted that definitions, payment dates and reporting cycles could be better aligned (for example, the term 'small business' itself is defined differently depending on the context and purpose), and that many measures were excessively punitive given the pressures on small business owners to 'do everything themselves' and the resultant risk of inadvertent mistakes. It also addressed the general complexity of Tax Office processes and forms.

State taxes and other broad structural issues, though outside of the scope of the review, also came under fire, particularly stamp duty and payroll tax for the way in which they discourage growth.

The report concluded with a number of short-, medium- and long-term recommendations for change and/or reform. The time periods essentially indicate the level of consultation and investigation involved in implementing any change.

Short-term recommendations included improving the ABN application and lookup process and investigating whether it would be feasible to have small businesses complete a combined Income Tax Return and Activity Statement at the end of each financial year rather than lodging Activity Statements quarterly.

In the medium-term the report recommends such things as changing the minimum eligibility threshold for compulsory superannuation payments, which is currently \$450 a month. This was set when the Superannuation Guarantee was first introduced in 1992 and has not changed since. The Board suggested that at the very least an alternative quarterly threshold of \$1,350 should be introduced to allow greater flexibility for employing casual workers. It also recommended that the Commissioner of Taxation be given greater discretion to remit Superannuation Guarantee Charge penalties where there has been a genuine oversight or mistake (currently there is none) and that where a charge does become payable, it also be made tax deductible (currently it is not).

Other proposals included raising the threshold for minor and infrequent Fringe Benefits (from the current level of \$300 to at least \$500) so that employers had greater discretion for rewarding employees without being penalised, and aligning the FBT year with the Income Tax year. There was even a suggestion that the burden for paying FBT be moved from the employer to the employee, and that employees be taxed at their marginal rates rather than the employer paying the top marginal rate on the first dollar. While this seems fairer, it's unlikely to be implemented as the primary purpose of FBT is as a disincentive rather than a revenue raiser. Indeed, some speculate that the cost of administering it may in fact exceed the tax that it raises. Don't you just love the Australian tax system?

For the longer-term, the Board recommended reviewing the complexity of the current

small business Capital Gains Tax concessions with a view towards simplifying them and making them more accessible. It was also suggested that tax treatments for small business be made more consistent regardless of structure, to reduce the need for more complex structures which add to the cost of doing business.

That's all a bit dry, we know. So what's the wash-up? The good news is that the Government has said that the report will be an important input to its considerations on small business taxation, including a White Paper that is being prepared on the subject.

Still, forgive us if we're a little sceptical. This is not the first time such a review has been undertaken. In fact, successive new Governments have promised real tax reform for small business and in time have made modest adjustments, but then in future years greater complexity and administrative burden is added right back in again through new budget measures.

Where the ATO has had the opportunity to respond in the report, there is often reference to the impact that any recommended changes may have to revenue. Unfortunately this seems to be the perpetual (and short-sighted) concern of Government, the result being that as small concessions are given with one hand, more is taken back with the other through legislative changes and new tax measures. The small business tax landscape is more complex and a bigger drain on productivity today than it has ever been, despite a number of reviews and reforms over the preceding years.

With any reform, the risk of a short-term revenue hit is real. But of course better and more productive business ultimately leads to higher profits, which will in turn result in higher tax receipts. Until a Government is brave enough to take a risk on wholesale change, we suspect the outcome here will simply be more of the same - mostly a tinkering around the edges which in practice creates more work for small business owners, simply by reason of having the compliance ground continually shifting beneath their feet.

The Government's joint media release announcing the review declared "*Not only do we want to make Australia one of the best places to start a business, we want to make it one of the easiest places to stay in and grow a business.*" We share this sentiment and encourage the Government to make it a reality.



Paid Parental Leave Scheme Axed

In an address to the National Press Club at the beginning of February, the Prime Minister confirmed what many had suspected for some time: their generous Paid Parental Leave (PPL) Scheme that was a platform of the Coalition's election campaign will not proceed.

The announcement was essentially a reflection of current budget difficulties. In his speech, the Prime Minister said, *"I accept...that what's desirable is not always doable, especially when times are tough and budgets are tight."*

The measure will be replaced by a more targeted families package focused particularly on childcare, with the Government to consult with various stakeholders to develop a package that is intended ultimately to help improve workforce participation.

At the same time, the Prime Minister also announced that a 1.5% reduction



Welcome Back Claire

All of us at Dewings were excited to welcome Claire back to the office in January.

Claire has been on maternity leave since December 2013, and gave birth to a baby boy in January last year.

Leo William Barber tipped the scales at a healthy 7lbs 7oz on 4th January 2014, and Claire has spent the last year or so enjoying some time with him as a new Mum.

We know that coming back to work after your first child is always difficult, so we want to take this opportunity to wish Claire all the best and let her know publicly how glad we are to have her back. We've missed you Claire!

For those of you who work with Claire we're sure you share that same sentiment.

in the company tax rate for small businesses would proceed as planned on 1st July. The original cut was not intended to be passed on to larger corporations, to help fund the PPL Scheme, however the announcement was silent on how this would now affect larger companies. The emphasis on 'small' business though seems to imply that larger companies will continue to pay tax at the current rate.

The speech also attempted to quash any talk of changes to the GST in the near future, with the Prime Minister stating emphatically that "*the base and the rate of the GST won't change this term or next unless it's supported by the likes of Bill Shorten and the Labor premiers.*"

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