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+ BUSINESS ADVISERS

Taxwise Business News

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Work-related car expenses, third party reporting and other measures – amendments now law

In previous editions of TaxWise, we noted changes that were going to occur in the following areas:

- work-related car expenses;
- Zone Tax Offset;
- FBT concessions on salary packaged entertainment benefits; and
- third party reporting.

The changes have now become law. See earlier editions of *TaxWise* for details of the changes.

FBT updates

1) FBT implications over the festive season

The ATO reminded employers over the festive season that employers who provide entertainment to their employees during the festive season (or at any other time of the year) should remember to think about the following:

- when providing food, drink or recreation may be considered 'entertainment';
- whether the entertainment is subject to fringe benefits tax (FBT); and
- the methods available for valuing entertainment fringe benefits.

Depending on the sort of entertainment you provide to your employees, there may be different FBT implications.

To do!

Talk to your tax adviser about the entertainment you provided to your employees over the festive season (did you have a Christmas party? Did you give your employees any gifts?)

2) FBT exemptions for work-related electronic devices

From 1 April 2016, small business employers (with turnover of less than $2 million) will be able to provide your employees with multiple electronic devices to use for work without incurring a fringe benefits tax (FBT) liability.

You can provide:

- mobile phones
- tablets
- laptops
- calculators
- GPS navigation receivers.

If you are looking to provide multiple devices to your employees, you are able to purchase these at any time, but you can't give them to your employees until 1 April 2016 or they will be subject to FBT.

Note that providing these devices may be a benefit in addition to or part of your employee's salary or wages package.

To do!

If you are planning on providing multiple devices to your employees, talk to your tax adviser first to ensure you properly comply with the FBT rules.

GST

Simplified GST accounting methods for food retailers

If you are a small food retailer, you most probably buy and sell products that are subject to GST as well as products that are GST-free. Others buy products that are subject to GST and are GST-free and sell only products that are subject to GST. As such, it can become quite complicated to accurately record your sales that are subject to GST and others that are not, making accounting for GST complicated.

The ATO introduced the simplified accounting method for GST purposes (SAM) to make it easier for business owners to account for GST. These methods help business owners to work out the amount of GST they are liable for in each tax period.

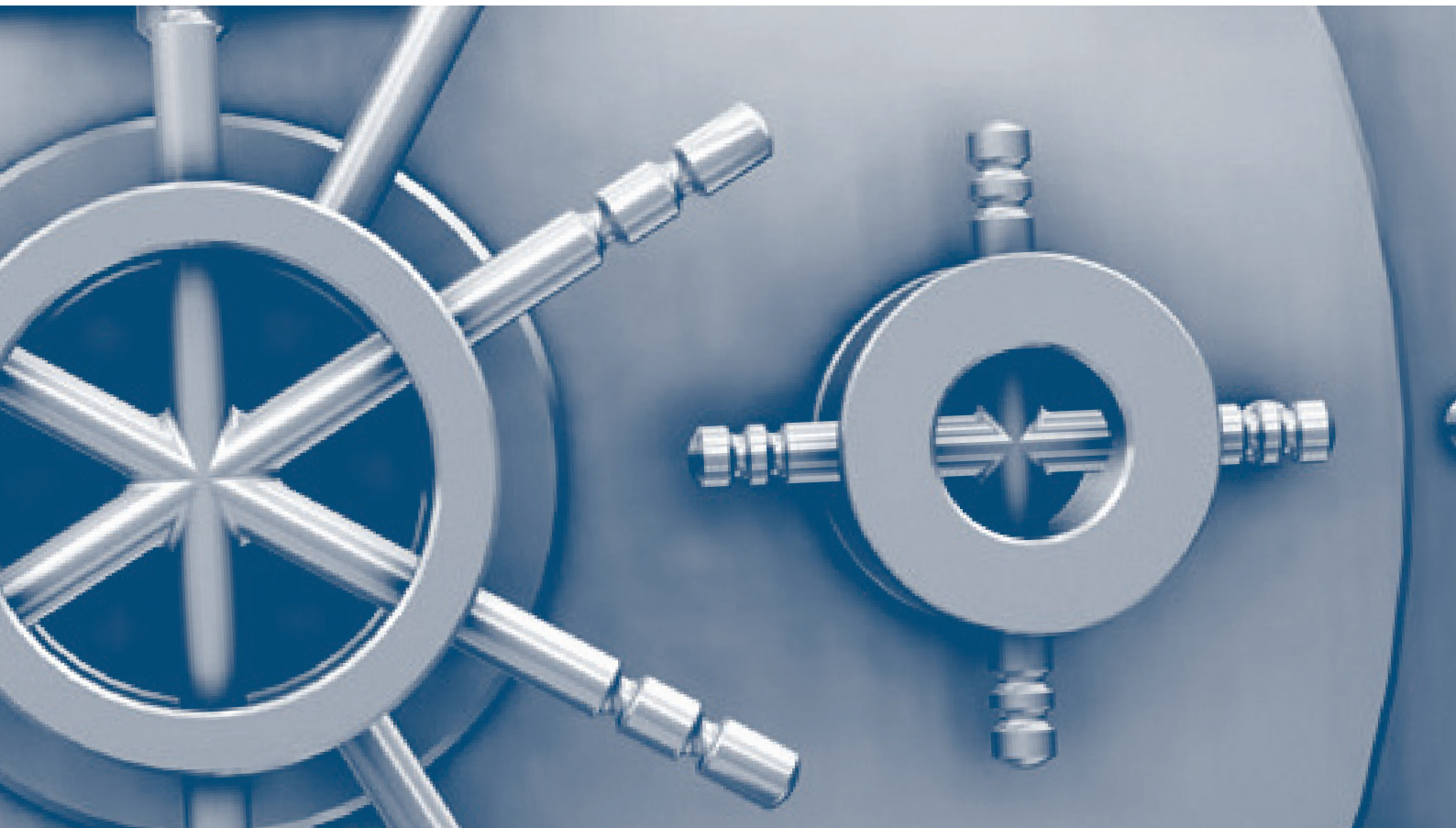
There are five methods to choose from, so you need to decide which one is best for your business. Though prices must be set according to the Australian Competition and Consumer Commission's (ACCC's) guidelines.

It would be best to speak to your tax adviser to ensure you have the right systems in place for tracking, and meeting, your business' GST obligations.

Supporting small businesses to implement SuperStream

SuperStream is continuing to be rolled out for small businesses. As such, the ATO has been looking for ways to assist small businesses which may need support or assistance to implement SuperStream.

The ATO recently launched an intensive communication program, delivering practical help and information via email and SMS to registered businesses across 22 industries. They have also contacted the relevant industry associations, publishing editorial and social media and hosting dedicated SuperStream online information sessions (webinars).



Some of the segments for which there is specific information are:

- Pharmacy and cosmetics
- General Practitioners, Dentists and Specialists
- Cafes and Restaurants, Catering & Take-away
- Fruit, Veg & Floristry
- Farming (livestock and crops)
- Hairdressing and Beauty Services
- Trades
- Automotive & Repair
- Engineering & Technical Services
- Bus & Taxi
- Road Freight
- Consulting (Management & IT)
- Banking & Finance / Insurance & Super
- Accommodation, Pubs & Clubs
- Food & Grocery
- Manufacturing – general
- Building & Employment Services
- Metals & Engineering
- Other specialist & boutique
- Accounting & Legal
- Hospitals, Clinics, Aged Care, Accommodation & Allied
- Education & Training

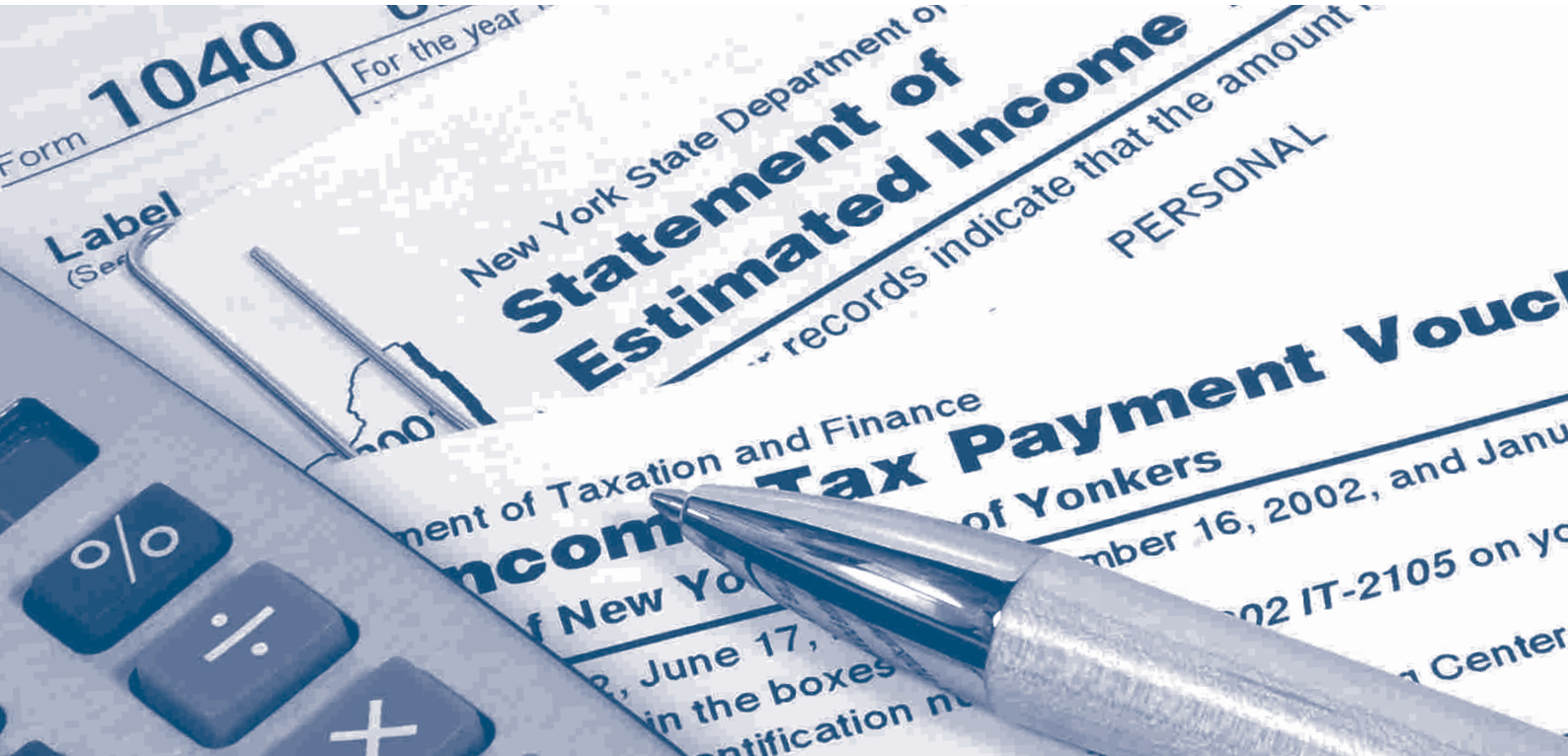
If you are unsure about these changes, please talk to us.

Reviewing taxable payments annual reports

The ATO is contacting businesses in the building and construction industry about information that businesses have provided on their Taxable Payments Annual Report. The ATO will be contacting businesses who have:

- provided a report with missing or invalid ABNs;
- included amounts paid for GST when the contractor isn't registered for GST;
- not lodged a report, when ATO records indicate they should;
- advised the ATO they are not required to report, but the ATO's records indicate the business should have reported.

The ATO will advise businesses that are reviewed what the review has found and will suggest ways to make it easier for the business to complete their reports more accurately in the future, such as using the ABN Lookup tool or ATO app to check a contractor's ABN or if they are registered for GST.



Claiming website development costs

If you incur expenses creating or maintaining your business' website, you may be able to claim some of these costs as a deduction in your tax return.

a) Capital expenditure

You might be able to claim costs incurred before you start up your business over a 5 year period after your business starts up (ie claim 20% of the cost per year).

b) Simplified depreciation rules

If you have started your small business already and have chosen to use the simplified depreciation rules, you might be able to deduct the expense immediately.

- If you incur the cost between 12 May 2015 and 30 June 2017 and the cost is:

  - less than $20,000 – you may claim a deduction for the full cost in the income year you incurred the expenditure;

  - $20,000 or more – you may allocate the cost to a general small business pool.

- If you incurred the cost between 1 January 2014 and 12 May 2015 and the cost is:

  - less than $1,000 – you can claim a deduction for the full cost in the income year you incurred the expenditure;

  - $1,000 or more – you can allocate the cost to a general small business pool.

Different rules apply if you have elected to allocate expenditure on in-house software to a software development pool. From 1 July 2015, in-house software expenditure incurred and allocated to a software development pool is deductible over five years.

c) Non-capital expenditure

You may also be able to claim a deduction for the ongoing expenses of running and maintaining your website, such as domain name registration and server-hosting in the income year that you incur this cost.

To do!

Seek professional advice from your tax agent or adviser about how to claim website development costs.

National Innovation and Science Agenda - tax changes announced

On 7 December 2015, a suite of new tax and business incentive measures was announced under the Commonwealth government's National Innovation and Science Agenda (NISA): *Prime Minister's media release* (7 December 2015); *Treasurer's media release* (7 December 2015).

The intention is that the government's tax and business incentives under the NISA will encourage smart ideas to encourage innovation, risk taking and build an entrepreneurial culture in Australia.

Tax and business incentives

The following tax and business incentive measures have been announced as part of the agenda. The government will:

- provide new tax breaks for early stage investors in innovative startups. Investors will receive a 20% non-refundable tax offset based on the amount of their investment, as well as a capital gains tax exemption. This scheme is based on the successful Seed Enterprise Investment Scheme in the United Kingdom, which has resulted in over $500 million in funding to almost 2,900 companies in its first two years. The new arrangements will apply from the date of Royal Assent and are expected to commence from 1 July 2016

- build on the recent momentum in venture capital investment in Australia including by introducing a 10% non-refundable tax offset for capital invested in new Early Stage Venture Capital Limited Partnerships (ESVCLPs), and increasing the cap on committed capital from $100 million to $200 million for new ESVCLPs. The new arrangements will apply from the date of Royal Assent and are expected to commence from 1 July 2016

- relax the "same business test" that denies tax losses if a company changes its business activities, and introduce a more flexible "predominantly similar business test". This will allow a startup to bring in an equity partner and secure new business opportunities without worrying about tax penalties. Legislation is expected to be introduced in the first half of 2016. The "predominantly similar business test" will apply to losses made in the current and future income years

- remove rules that limit depreciation deductions for some intangible assets (like patents) to a statutory life and instead allow them to be depreciated over their economic life as occurs for other assets. The new arrangements will apply to assets acquired from 1 July 2016.

Small businesses and startups

The government will:

- support incubators which play a crucial role in the innovation ecosystem to ensure startups have access to the resources, knowledge and networks necessary to transform their ideas into globally scalable new businesses; and

- make existing employee share scheme (ESS) rules more user friendly. The new rules will allow companies to offer shares to their employees without having to reveal commercially sensitive information to their competitors. These changes build on the recent reforms to ESS, which included deferring the taxing point for employees and introducing

an additional concession for those working in startup companies. Legislation is expected to be introduced in the first half of 2016.

The full text of the National Innovation and Science Agenda is available on the **NISA** website.

Single Touch Payroll reporting

In the 2015-16 MYEFO statement, released on 15 December 2015 by the Treasurer, the Hon Scott Morrison MP, and the Minister for Finance, Senator the Hon Mathias Cormann, the government announced that it will simplify the reporting by employers of their PAYG withholding obligations and superannuation contributions by progressively implementing Single Touch Payroll (STP).

Under STP, employers will automatically report individual employee payroll information to the ATO using their business management software. STP will also introduce reporting of superannuation contributions information to the ATO when payments are made to super funds. Employers will have the option to pay their PAYG withholding at the same time they pay their staff.

The government will introduce streamlined processes for individuals commencing employment. Individuals will have the option of completing their Tax File Number declaration and Superannuation Standard Choice forms using myGov or through their employer's business management software.

This measure will be phased in as follows:

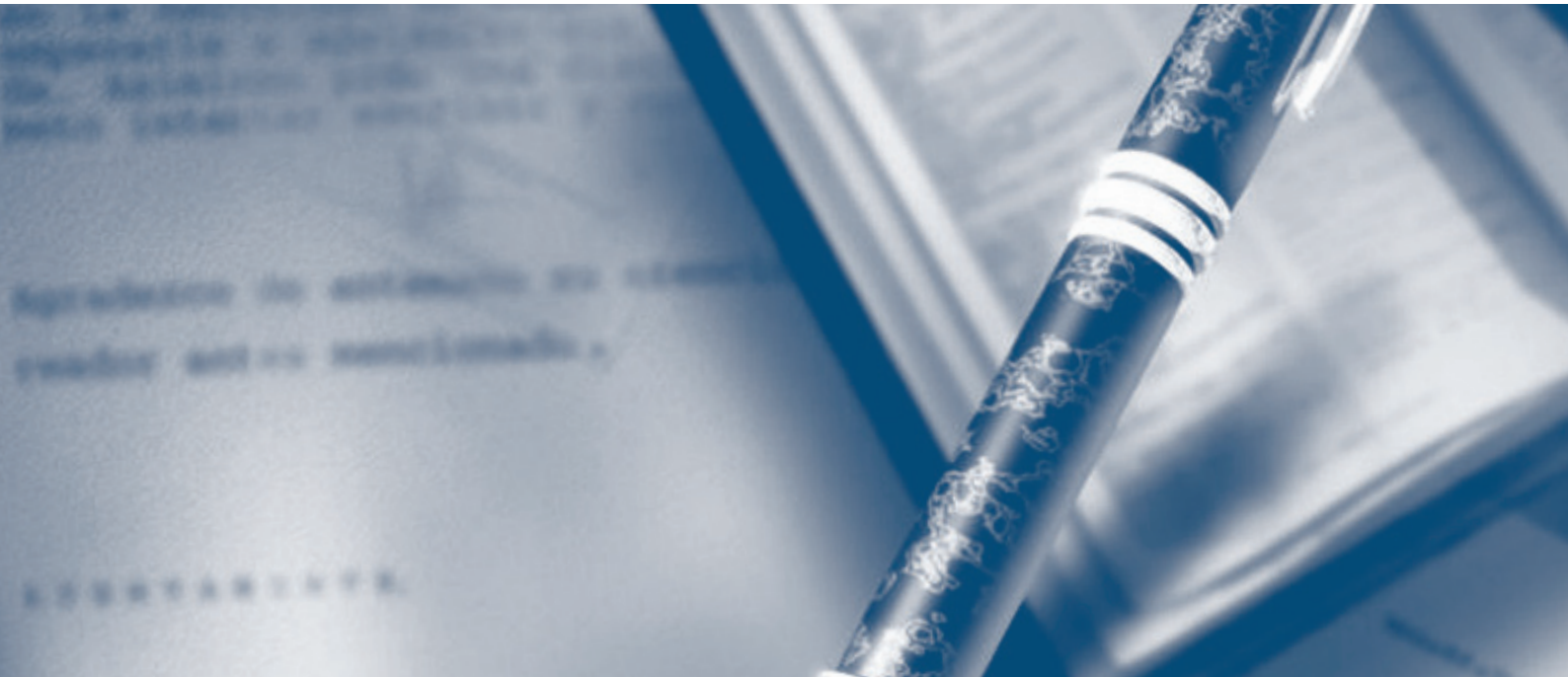
- from January 2017, there will be a voluntary pilot of STP. The pilot will focus on, but is not limited to, targeted Small and Medium Enterprises
- from July 2017, all businesses may commence STP reporting, with the option to make voluntary payments. In addition, the ATO will commence transitioning employers with 20 or more employees to STP, and
- from 1 July 2018, employers with 20 or more employees will be required to use STP enabled software for reporting to the ATO.

To assist small business that wish to take advantage of the benefits of STP, the government will provide businesses with a turnover of less than $2 million with a $100 non-refundable tax offset for expenditure on Standard Business Reporting enabled software.

This offset will apply from 1 July 2017, and will be available for software purchases or subscriptions made in the 2017-18 financial year only.

Data matching programs

1) Real property transactions - Data matching program



The ATO has announced that it will acquire details of real property transactions for the period 20 September 1985 to 30 June 2017 from State and Territory revenue and land titles departments and offices and rental bond authorities in every State and Territory in Australia: Australian Government Gazette No **C2015G02019** (8 December 2015).

The objectives of this data matching program are to:

- obtain intelligence about the acquisition and disposal of real property and identify risks and trends of non-compliance across the broader compliance program;
- identify a range of compliance activities appropriate to address risks with real property transactions by taxpayers;
- work with real property intermediaries to obtain an understanding of the risks and issues, as well as trends of non-compliance;
- gain support and input into compliance strategies to minimise future risk to revenue;
- promote voluntary compliance and strengthen community confidence in the integrity of the tax system by publicising the outcomes of the data matching program; and
- ensure compliance with registration, lodgment, correct reporting and payment of taxation and superannuation obligations.

2) *Data matching on insurance asset classes*

The ATO is currently working with insurance providers to identify policy owners on a wider range of asset classes. These asset classes include:

- Marine;
- Aviation;
- enthusiast motor vehicles;
- fine art; and
- thoroughbred horses.

The purpose of the ATO obtaining this information is to gain a better understanding of certain taxpayers' wealth and to help the ATO to provide tailored services to taxpayers to ensure they meet their tax obligations.

During January and February, the ATO will issue formal notices to insurers to provide the ATO with these policy details. The ATO anticipates it will receive 100,000 records where the different asset classes meet certain threshold amounts.

Disclaimer

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