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Chartered Accountants

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Your small business may be entitled to a lower tax rate

Depending on the structure of your business, the lower tax rate of 28.5% may apply to your business if you run your business through a company for the 2016 year. Your aggregated turnover must be less than \$2 million. This lower rate also applies to small businesses that are corporate unit trusts and public trading trusts.

If you run your business through a non-corporate structure, such as a sole trader, partnership or trust, you are also entitled to receive a tax offset of up to 5% of your tax payable capped at \$1,000.

In the previous edition of *VKC Tax News*, we noted that these small business concessions will change for the 2017 income year:

- the tax rate for small businesses operating through corporate structures will be further reduced to 27.5% where the aggregated turnover is less than \$10 million;
- the tax offset for unincorporated entities will be progressively increased from 5% to 16% over the next 10 years (starting with 8% remaining constant for the next eight years then moving to

10% in the 2025 income year, 13% in the 2026 income year and 16% in the 2027 income year). However, the cap remains at \$1,000.

The [Treasury Laws Amendment \(Enterprise Tax Plan\) Bill 2016](#) which contains these measures is, at the time of writing, sitting before the House of Representatives.

Commissioner's statement on the tax evasion "week of action"

The Commissioner has said that the ATO has made significant progress in dealing with those taxpayers exposed in the Panama Papers who have tried to avoid their tax obligations. The Commissioner said, "This week of action further demonstrates our strong stance against tax crime, and the active collaboration between our domestic agencies in delivering a whole-of-Government response."

Following the success of Project Wickenby, the Government supported the establishment of the Serious Financial Crime Taskforce. The Taskforce has broadened the focus of Project Wickenby and reinforced the domestic agencies working together to detect and deal with serious financial crime. This week of action is, in the Commissioner's view, a good example of how the Taskforce has been able to take swift, timely and decisive action in relation to the Panama Papers.

Led by the ATO, the Taskforce made 15 unannounced access visits in Victoria and Queensland, and executed three search warrants following analysis of the leaked information. In addition, more than 100 taxpayers will be contacted and advised they are the subject of compliance action, if they have not been contacted already, and further criminal investigations have not been ruled out.

To read more on the Serious Financial Crime Taskforce and the "week of action" visit the [ATO's website](#).

Proposed changes to the ATO approach to penalties

The ATO is proposing to make changes to their approach to penalties as they apply to businesses and individuals. As part of the proposal, the ATO will take a "one chance" approach before applying a penalty in the following circumstances:

- for certain small business and individual clients, the ATO will not apply penalties for false or misleading statements for failure to take reasonable care for errors made in income tax returns and activity statements; and
- the ATO will not apply failure to lodge on time penalties for late lodgment of income tax returns and activity statements.

This will apply to the first error and late lodgment subject to penalty. The 'one chance' timeframe will be refreshed after a set period of time. The ATO will confirm in writing to these small business and individual clients that, while they were liable to a penalty, the ATO has chosen not to apply one on this occasion.

The ATO is of the view that it is open to the Commissioner to exercise his general powers of administration and therefore does not require a law change to adopt such an approach.

While detailed design would determine the extent of its application, if community consultation supports this proposal, it is expected the following parameters may apply:

- it would be available to small businesses (with turnovers under \$2 million) and individuals subject to some criteria, with eligible clients being informed at the time the ATO provides the 'one chance' opportunity;
- it would not be available to clients who demonstrated reckless or dishonest behaviour and those who disengage and cease communicating with the ATO during an audit or review;
- the ATO would explain that although a taxpayer could have received a penalty, it has not on this occasion;
- all clients will receive a clear explanation of how the error occurred and understand what they need to do to get things right in the future;
- after a defined period of time (e.g. a three or four-year financial cycle) the opportunity would be reset. Given the frequency of reporting for activity statements, when considering late

lodgment penalties, this set period may be different for income tax returns and activity statements;

- after the 'one chance' opportunity has been provided, failure to lodge on time would automatically apply if lodgment was not received by the due date; and
- consistent with current administration, interest charges would remain payable on any amounts outstanding after the date they are due for payment.

Note!

VKC Consulting C.A. can assist you and your business with any penalty notices received regardless of whether the ATO adopts the proposal outlined above.

Helping the building and construction industry with debt

The ATO has been working with the building and construction industry to provide support and assistance to those with outstanding debts. In the last month, the ATO started contacting tax agents regarding their clients in the building and construction industry who continue to have outstanding tax debts.

The ATO can offer a range of payment options to help get back on track sooner and reduce any interest liability.

If your business has an outstanding obligation, you can manage your business' debt by asking your tax agent to assist you to request a payment arrangement.

To do!

If you are in the building and construction industry and are concerned about any outstanding debts you may have, talk to us!

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