

Business News

- What's new for small businesses
- ATO protecting honest business
- Changes to tax withholding amounts
- Superannuation
- Changes to PAYG instalment conditions
- Passive Investment Companies excluded from small business tax rate

What's new for small businesses

1. Expanded access to small business concessions

More businesses are now eligible for most small business tax concessions. From 1 July 2016, a range of small business tax concessions became available to all businesses with turnover less than **\$10 million** (the turnover threshold). Previously the turnover threshold was \$2 million.

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

- the small business income tax offset, which has a \$5 million turnover threshold from 1 July 2016
- capital gains tax (CGT) concessions, which continue to have a \$2 million turnover threshold.

The turnover threshold for fringe benefits tax (FBT) concessions increased to \$10 million from 1 April 2017.

2. Increased small business income tax offset

You can claim the small business income tax offset if you are a small business sole trader, or have a share of net small business income from a partnership or trust.

From the 2016-17 income year, the small business income tax offset:

- increased to 8%, with a limit of \$1,000 each year
- applies to small businesses with turnover less than \$5 million.

The tax offset increases to 10% in 2024-25, to 13% in 2025-26 and to 16% from the 2026-27 income year. The amount of your offset is based on amounts shown in your tax return.



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3. Company tax rate cut for small businesses

For the 2016–17 income year, the company tax rate for small businesses decreased to 27.5%. Companies with turnover less than \$10 million are eligible for this rate.

The maximum franking credit that can be allocated to a frankable distribution has also been reduced to 27.5% for these companies – in line with the company tax rate. The reduced company tax rate of 27.5% will progressively apply to companies with turnover less than \$50 million by the 2018–19 income year. From 2024–25, the rate will reduce each year until it is 25% by 2026–27.

If you lodged your 2016–17 company tax return early:

- If your turnover is less than \$2 million, the ATO will amend your return for you and apply the lower tax rate.
- If your turnover is from \$2 million to less than \$10 million, you will need to review your tax return and lodge an amendment if required.

4. Instant asset write-off extension

Australia's 3.2 million small businesses can continue to purchase equipment up to \$20,000 and write it off immediately thanks to legislation passed by the Senate on 15 June 2017, advised Small Business Minister Michael McCormack recently. The period in which small business entities can access the instant asset write-off has been extended by 12 months to 30 June 2018. It was originally intended to end on 30 June 2017.

The Small Business Minister said recent tax cuts for small business – which delivered a 27.5% tax rate – also redefined 'small business', meaning more Australian businesses are now eligible for the instant asset write-off.

More businesses are now eligible to buy equipment (new or second hand) up to \$20,000 and write it off immediately after this legislation passed the Senate. Multiple claims can be made under the program.

Changes to tax withholding amounts

1. Withholding on salary and wages

The way tax is calculated on salary and wages has changed.

From 1 July 2017, the:

- temporary budget repair levy has been removed
- Medicare levy low-income threshold increased.



ATO Protecting Honest Business

The ATO acknowledges that most business owners are honest, but that there are some businesses that operate in the cash and hidden economy, gaining an unfair advantage over those who declare their income and do the right thing.

The ATO has been running information sessions on this. More information about the ATO's work focusing on 'cash-only' businesses, including visiting these businesses and what the ATO will be doing where these businesses are not compliant can be found on the [ATO's website](#).

2. TFN withholding for closely held trusts

Beneficiaries need to quote their tax file number (TFN) to the trustee to avoid having amounts withheld from their payments or unpaid entitlements.

If a beneficiary doesn't quote their TFN before a payment or entitlement occurs, the trustee must withhold from the payment or entitlement, pay the withheld amount to the ATO, and lodge an annual report with details of all withheld amounts.

3. Withholding in business transactions

Any business or organisation carrying on an enterprise should quote their Australian business number (ABN) when supplying goods or services to another enterprise. If the supplier does not quote their ABN, the general rule is that the payer must withhold 47% (from 1 July 2017) from their payment and send the withheld amount to the ATO.

4. Withholding from unused leave payments on termination of employment

Under the pay as you go (PAYG) withholding system, when an employee leaves, you may have to withhold from unused leave payments.

5. Withholding from dividends paid to foreign residents

If you pay dividends to a foreign resident, the unfranked component of each of those payments is subject to a final withholding tax.

Tip!

Businesses need to get their withholding obligations right. If you are unsure if your business is meeting its withholding requirements or are unsure how any of these changes may affect your business meeting its withholding obligations, you should speak with us.



Superannuation

Key super rates and thresholds

The ATO has released the key superannuation rates and thresholds that apply to contributions and benefits, employment termination payments (ETP), super guarantee and co-contributions.

For the 2017-18 income year, the:

- concessional contribution cap is \$25,000
- non-concessional contribution cap is \$100,000 (conditions apply)
- CGT cap amount is \$1,445,000
- Div 293 tax threshold amount is \$250,000
- low rate cap amount is \$200,000
- ETP cap for life benefit termination payments is \$200,000
- ETP cap for death benefit termination payments is \$200,000.

The full list of rates and thresholds can be found on the [ATO website](#).



Passive Investment Companies

In the last week of September 2017, the Government released draft tax legislation for consultation to clarify that passive investment companies cannot access the lower company tax rate for small businesses. The Government's proposal will achieve this objective by redefining the concept of base rate entity, in order to preclude the lower rate applying to companies which derive primarily passive income.

Under the exposure draft bill a company will not qualify for the lower corporate tax rate of 27.5 per cent if 80 per cent or more of its income is of a passive nature.

In this context, passive income includes (but is not limited to) dividends, rent, interest, capital gains and royalties. The proposed measures will also classify amounts that flow through partnerships and trusts as passive income to the extent that it is attributable to passive income.

Passive income will not include non-portfolio dividends. Therefore, dividends derived by a holding company which are made by a wholly owned subsidiary company that carries on active trading business will not be classified as passive income of the holding company.

The proposed amendments will apply to the 2016-17 income year and later years.

DISCLAIMER

The content of this newsletter does not constitute specific advice. Readers are encouraged to contact VKC Consulting Chartered Accountants for advice on specific matters.



Changes to PAYG instalment conditions

From 1 July 2017, changes to administrative rules about who needs to pay PAYG instalments may affect your clients.

The ATO will automatically remove companies, superannuation funds, and self-managed superannuation funds from the PAYG instalment system if their notional tax is less than \$500. This will apply even if their instalment rate is greater than zero percent, and includes those registered for GST.

Are you struggling to find time to focus on your family and your growing business?

VKC Consulting C.A. can assist you to get your numbers up to date while providing continual tax planning advice.

We will exchange your worries with peace of mind!

Contact us for your obligation free meeting and quote.

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