

Federal Budget Fast Facts. Business tax.



There are significant and unexpected announcements in the 2016 Budget related to business tax. There are changes to company tax rates, small business definitions and various other initiatives (TOFA and Div 7A) which have been labelled a 'Ten Year Enterprise Tax Plan'.

The key takeouts are:

- Small business tax changes from 1 July 2016 for corporations:
 - turnover threshold increased from \$2 million to \$10 million (except CGT concessions)
 - tax rate decrease to 27.5%
 - the instant asset write off of \$20,000 retained until 30 June 2017
 - targeted amendments to Div 7A to remove compliance burdens
- Small business tax changes from 1 July 2016 – for unincorporated business:
 - increasing the current 5% tax rate discount to 16% over 10 years (tax rate of 24%)
- GST on low value goods imported – overseas suppliers that have an Australian turnover of \$75,000 or more will be required to charge GST from 1 July 2017
- A New Diverted Profits Tax – based on the UK Google Tax – imposes a 40% penalty rate of tax on large multinationals attempting to shift their profits offshore to avoid paying the tax, and is expected to raise \$650 million over 4 years
- As part of the National Innovation and Science Agenda, the Government is expanding tax incentives for early-stage investors and expanding the new arrangement for venture capital limited partnerships
- A Tax Consolidation Integrity Package was introduced to ensure taxpayers cannot obtain a double tax benefit or other tax advantages when recognising certain liabilities
- TOFA is to be simplified and applied to a smaller group of taxpayers.

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- A crackdown on multinational tax avoidance to be strengthened by the establishment of a new taskforce of more than 1,000 specialist staff in the ATO
- Tobacco excise will have four annual increases of 12.5% per year from 2017 until 2020
- Strengthening protection for whistleblowers who come forward to report tax avoidance
- A new Tax Transparency Code for businesses with turnover greater than \$100 million
- An increase in penalties from \$4,500 to \$450,000 for failing to lodge tax returns and similar tax documents for companies with global turnover greater than \$1 billion
- Transfer pricing legislation to be updated to reflect latest OECD guidance.

What does this mean for you:

Australian business will welcome the Ten Year Enterprise Tax Plan which provides a road map for a more competitive 25% tax rate for all companies by 2027.

In particular, small business will immediately benefit with a lower 27.5% tax rate from 1 July 2016.

Australian retailers will be pleased that low value imported goods will now be subject to GST.

The other good news is that there are no changes to the thin capitalisation debt to equity ratio.

ShineWing Australia Budget Rating:

Doesn't
add up.

Too
taxing.

Nice work
Scott.

