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Tax Alert August 2017

Tax cut for small business: ATO will amend returns

For the 2016–2017 income year, the company tax rate for small businesses decreases to 27.5%. Companies with turnover of 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.

The reduced company tax rate of 27.5% will progressively apply to companies with turnover of less than \$50 million by the 2018–2019 income year. The ATO says if a company lodged its 2016-17 company tax return early, and its turnover is less than \$2 million, it will amend the return and apply the lower tax rate.

If the company's turnover is from \$2 million to less than \$10 million, the company will need to review its return and lodge an amendment if required.

Instant asset write-off extended for small business entities

The *Treasury Laws Amendment (Accelerated Depreciation For Small Business Entities) Act 2017* extends the period during which small business entities (SBEs) can access accelerated depreciation. The extension is for 12 months, ending on 30 June 2018.

SBEs will be able to claim an immediate deduction for depreciating assets that cost less than \$20,000, provided the asset is first acquired at or after 12 May 2015, and first used or installed ready for use on or before 30

June 2018. Depreciating assets that do not meet these timing requirements will continue to be subject to the \$1,000 threshold.

SBEs will be able to claim an immediate deduction for depreciating assets that cost less than \$1,000 if the asset is first used or installed ready for use on or after 1 July 2018.

ATO update on Manage ABN Connections

The ATO says feedback from tax professionals on the Manage ABN Connections identified that further work is required to meet their needs. The ATO advised that the myGov login is therefore not currently available to access the Tax or BAS Agent Portals. If a tax agent's client already has a myGov account linked to the ATO, Centrelink or Medicare, they can now use Manage ABN Connections to access government online business services.

Super reforms: changes to TRIS, CGT relief, pension cap and LRBA integrity rules

The Treasury Laws Amendment (2017 Measures No 2) Act 2017 makes a range of technical amendments to the super reform legislation.

TRIS rules for becoming retirement phase pension

The amendments deem a transition-to-retirement income stream (TRIS) to be in retirement phase where the recipient of the income stream has satisfied a condition of release with a

nil cashing restriction (eg retirement or attaining age 65). This means that a TRIS will stop being a pension (subject to 15% tax on fund earnings from 1 July 2017) and become a retirement phase superannuation income stream that qualifies for the earnings tax exemption once the recipient notifies the fund that a nil condition of release under the Superannuation Industry (Supervision) Regulations 1994 (SIS Regs) has been satisfied.

CGT relief for TRIS assets

The period in which an asset supporting a TRIS can cease to be a segregated current pension asset of a fund and still qualify for CGT relief will be extended to include the start of 1 July 2017.

Pension balance credit for LRBA repayments

The Act provides that an additional pension transfer balance credit will arise for certain repayments of a limited recourse borrowing arrangement (LRBA) by a self-managed superannuation fund (SMSF) that shifts value between an accumulation phase interest to a retirement phase superannuation income stream interest in the fund: new s 294-55 of ITAA 1997.

Pension transfer balance cap

The Act also makes the following changes to the \$1.6 million pension transfer balance cap provisions.

SMSF annual return: key changes for 2016–2017

The ATO has released the 2017 self-managed superannuation fund (SMSF)



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annual return and instructions. Key changes for 2017 include the transitional CGT relief for super funds as part of the 1 July 2017 reforms, reporting on limited recourse borrowing arrangements (LRBAs) and early stage investor tax incentives.

Single Touch Payroll operative for early adopters

Single Touch Payroll (STP) is here. It had a "soft" or voluntary start on 1 July 2017. From that date, employers may choose to report under STP. For those who qualify (ie employers with 20 or more employees), STP will be mandatory from 1 July 2018.

For employers with 19 or fewer employees on 1 April 2018, their reporting obligations will not change. They will not need to start reporting through STP from 1 July 2018, but may choose to start using a payroll solution to take advantage of the benefits of STP reporting.

"Netflix" tax: who is an Australian consumer?

From 1 July 2017, the supply of services, digital products or rights are connected with Australia (and so potentially liable to GST) if made to an Australian consumer

by an overseas-based supplier. This is referred to as the digital import or "Netflix tax" rules.

GST Ruling GSTR 2017/1 explains how overseas suppliers can decide whether a recipient of a supply is an Australian consumer. It explains what evidence suppliers should have, or what steps they should take to collect evidence, in establishing whether or not the supply is made to an Australian consumer.

New draft GST guidelines issued

Supplies through electronic distribution platforms

Draft Law Companion Guideline LCG 2017/D4 (the Draft) deals with how the ATO intends to apply the Netflix and low-value imported goods measures to supplies made through electronic distribution platforms (EDPs).

The draft guidance sets out a four-step approach for determining whether an EDP operator is responsible for GST.

Redeliverers and supplies of low-value imported goods

Draft Law Companion Guideline LCG 2017/D5 explains the measures in the

Treasury Laws Amendment (GST Low Value Goods) Bill 2017 (awaiting assent) that will make redeliverers responsible for GST on offshore supplies of low-value goods from 1 July 2018.

The Bill imposes GST on supplies of imported low-value goods, ie those worth less than A\$1,000. Under the reforms, a redeliverer will be treated as the supplier if low-value goods are delivered outside Australia as part of the supply and the redeliverer assists with their delivery into Australia as part of, broadly, a shopping or mailbox service that it provides under an arrangement with the consumer.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Tax Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Tax Alert is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval. Liability limited by a scheme approved under Professional Standards Legislation.

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