CAPRARO CONSULTING

MONTHLY NEWSLETTER

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Rolling the dice on tax debt

Profitable companies that choose to relegate their tax and super obligations will be a focus of the ATO's crackdown on collectable debt, Commissioner says.

Too many businesses "roll the dice" on tax liabilities and treat them like a free loan, ATO Commissioner Chris Jordan says.

He said small business owed more than its share of collectable debt and a rising number of profitable businesses with the capacity to pay were choosing not to. Mr Jordan was "unapologetic" about the ATO's tougher stance on collectable debt.

"Most collectable debt is self-assessed. It includes GST a business has collected and received credits for but has not remitted. It includes unpaid pay-as-you go withholding and superannuation guarantee charge that has a direct impact on employees."

"Small businesses continue to be over-represented in our debt book, owing over $33 billion of the $50.2 billion of collectable debt – $23 billion of that is unpaid business activity statement debt."

"There are a growing number of profitable businesses who have the capacity to pay their bills but are choosing not to. Businesses appear to be deprioritising payment of tax and super. This needs to stop."

"I am calling on the tax profession for support. You can reinforce to your clients they are only the temporary custodians of GST, pay-as-you-go withholding and super guarantee – it is not theirs."

He said another focus in his final six months was deliberate fraud, "which is nothing more than theft from the community" and the integrity of the tax system in the light of "recent events."

"Integrity matters and the public's desire for integrity in the tax profession is likely to only increase. Recent events are a reminder of the important and trusted role all advisers have and the important role we all play in building trust and confidence in the system."

A timely reminder

The ATO employed four key tools to manage this debt and encourage business to take steps to repay it. They were:

1. **Payment plans**—allows tax liability paid over time. Over 100,000 warning letters were sent to directors, requesting they engage with the ATO.
2. **Director penalty notices**—approximately 18,500 director penalty notices (DPN) were issued to directors, about their personal liability for their company's unpaid PAYG, GST tax debt, and SGC amounts.
3. **Credit reporting**—over 700 businesses were disclosed to credit reporting agencies for being in default with the ATO for debts totalling more than $100,000. This potentially makes it more difficult for a business to obtain finance or rolling over existing finance more expensive.
4. **Wind up notices**—taking steps through the courts to wind up a company to recover its tax debts. Unless the debt is paid in the process, it eventually results in a liquidator being appointed to sell the company's assets, investigate what led to its failure, and distribute any surplus funds to creditors.

Where clients failed to work with the ATO or take initiative to resolve their situation appropriately, it was business as usual and the ATO would take further recovery action.

New legislation reintroduces the $20k instant asset write-off threshold

The temporary full expensing rules, which provided an immediate deduction for the full cost of assets acquired from 6 October 2020, ended on 30 June 2023.

While the instant asset write-off threshold was due to drop back to $1,000 from 1 July 2023, the Government has introduced a Bill to Parliament which contains amendments to ensure that a $20,000 threshold will apply to small business entities for the 2024 income year.

It is important to note that if a small business entity does not choose to apply the simplified depreciation rules for the 2024 income year, then it will not have access to the instant asset write-off rules, regardless of whether the other basic conditions can be met.

The write-off threshold applies per asset, so a small business entity can potentially deduct the full cost of multiple assets across

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the 2024 year as long as the cost of each asset is less than $20,000.

Legislating the ‘objective’ of super

The proposed objective of superannuation released in recently released draft legislation is: ‘**to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way**.’

The significance of legislating the objective of super is that any future legislated changes to the superannuation system must be in line with this objective. It is a broad definition. For example, “equitable” seeks to address the distributional impact of superannuation policy. That is, latitude for the Government to target tax concessions to address differences in demographic factors and structural inequities including intergenerational inequity and outcomes for different groups including women, First Nations Australians, vulnerable members, and low-income earners.

“Sustainable” encapsulates the changing needs of an ageing population including reducing the reliance on the Age Pension. The draft also alludes to the viability of the cost of tax concessions used to incentivise Australians to save for retirement.

“Deliver income” appears to reinforce the concept that superannuation savings “should be drawn down to provide individuals with a source of income during their retirement.”

More than 15 million Australians now have a superannuation account. Australia’s superannuation pool has grown from around $148 billion in 1992 to $3.5 trillion in 2023, and will continue to grow. Total superannuation balances as a proportion of GDP are projected to almost double from 116% in 2022–23 to around 218% of GDP by 2062-63.

The consultation also recognises the value of the superannuation system as a source of capital, “which can support investment in capacity-building areas of the economy where there is alignment between the best financial interests of members and national economic priorities.”

Finance, Mortgages & Loans

In this environment of rising interest rates, it is important to get help from an expert broker. No Fuss Home Loans strive to simplify the loan process, listen to your needs and offer sound and friendly advice.

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With a decade of experience in the industry, Duo Tax Quantity Surveyors is an Australian owned company who assists investors with their tax depreciation, property valuation, and quantity surveying needs for their residential or commercial investment properties.

Feel free to contact our office or contact George direct on 1300 185 498 or 0481 948 009.

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Important upcoming dates

Annual PAYG instalment notice due 21 October 2023

Lodge and pay September 2023 quarter activity statement if electing to receive and lodge by paper by 28 October 2023

Super contributions for the September 2023 quarter due for payment by 28 October 2023

Lodge your tax return by 31 October 2023 if you are lodging your own tax return

Financial planning

We have an association with Mia Taylor from Evalesco (part of the Australian Advice Network) whom can assist with all your financial planning needs. They provide a more personal service and empower Clients not only in terms of wealth strategies but are also mindful we need healthy and happy lives.

Feel free to contact our office to arrange an initial appointment.

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