

JUST TAX UPDATE

IGNORANCE IS NO EXCUSE!

In a recent court case a director of a company attempted to have the penalties and interest charged by the Commissioner of State Revenue reduced by stating that due to his lack of Australian working experience he was unaware of payroll tax. The Tribunal rejected the defence commenting that as a director of a medium size company “the taxpayer did not take reasonable care to ensure compliance with the taxation law and the default did not arise due to circumstances beyond the taxpayer's control.”

This case result is not surprising and all company directors and other taxpayers need to be aware of all of the various taxes that can apply and ensure that they are compliant. As ignorance is no excuse, you need to be on top of all tax issues affecting your operations. If you have any doubts or concerns in relation to compliance with any tax obligations please immediately contact our office.

CHECKLIST OF GOVERNMENT’S ELECTION PROMISES

Now we know the election result, we thought it timely to summarise some of the promises made by the new Government, in particular the taxation promises and business changes. Please keep in mind that more detail will be released by the Government in the next couple of months, and we will all need to wait for these announcements and the supporting legislation to establish the fine detail.

New Mature Age Workers \$500 Tax Offset

To encourage taxpayers approaching retirement age to stay in the workforce the Government has proposed a \$500 Mature Age Worker Tax Offset to be introduced on 1 July 2004. This will be available to all people over 55 who choose to stay in the workforce (rather than retire) subject to the level of taxable income earned detailed as follows:-

Mature Age Worker Tax Offset	2004/05	2005/06
\$500 phased in at 5% from \$1 - \$10,000		
Full \$500 entitlement	\$10,001 - \$47,999	\$10,001 - \$52,999
Gradual phase out at 5%	\$48,000 - \$57,999	\$53,000- \$62,999
Ineligible	\$58,000 >	\$63,000 >

Changes to STS - Simplified Taxation System

Several changes have been announced in relation to the STS regime including:-

- Allowing STS taxpayers to account on an accruals basis if they want.
- Reducing the period the Commissioner (and presumably the taxpayer as well) can take to raise amended assessments on STS taxpayers from 4 years to 2 years.
- Provide a 25% tax reduction for STS taxpayers with a business turnover of less than \$50,000.

The STS concessions are only available to small businesses with an average turnover below \$1 million and business assets below \$3 million. Although one major STS concession is for businesses to account for their taxation liabilities on a cash basis, not all businesses wish to do this. The other benefits of the STS regime currently include:-

- Tax deduction for prepayment of expenses as long as the prepayment period does not exceed 12 months.
- Immediate tax write off of depreciable assets which cost less than \$1,000.
- All other depreciable assets can be written off in pools at set concessional rates.
- No need to count trading stock where difference between opening and closing stock is less than \$5,000.

These concessions reduce the tax compliance costs of small businesses.

In relation to the other STS announcements, the changing of the amendment period for tax assessments for STS businesses will provide more taxation certainty for these businesses. The 25% tax rebate will benefit the very small STS businesses though this concession is unlikely to provide much benefit as the turnover threshold is extremely low.

Small business operators who would like to know more about the STS system should contact our office.

30% rebate on childcare out of pocket expenses

Taxpayers incurring out of pocket expenses in relation to child-care will be able to claim a 30% tax rebate based on the actual out of pocket expenses incurred under the promises made by the Government. We are unsure of the commencement date of this concession at this time.

Exempt accommodation bonds

Some residents entering low-level aged care find the bond contributed to the retirement home places them over the pension assets test, thus reducing their pension. The Government has promised this bond will be exempt from the asset test in relation to entitlement to pensions from 1 July 2005.

Relaxation of the unfair dismissal rules

For the last eight years, the Government has been trying to exempt small businesses from the unfair dismissal laws as they perceive that these laws are a disincentive for these businesses hiring new employees. Now that it looks like the Government will also have control of the Senate, it is reasonable to expect that these changes will now be successfully introduced. This change will not occur until after 1st July 2005 at the earliest.

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