MEDIA RELEASE

08 May 2018

REAL BUDGET STORY IN THE DETAIL SAYS CPA AUSTRALIA

The third Turnbull/ Morrison budget has some big-ticket items but it's the less headline grabbing proposals that are likely to attract the attention of the accounting and tax profession over the coming months and years.

This year's budget has been framed against a backdrop of a strengthening economy, with the expected additional revenue being used in part to fund personal tax cuts and increased investment in infrastructure and the ageing population.

CPA Australia Head of Policy, Paul Drum FCPA, said accountants will be keen to see the details of these announcements and be involved in shaping their design and implementation so that they best achieve the policy outcome.

"The Budget includes a raft of income tax, GST and superannuation changes that will impact individuals, businesses and super funds and therefore the provision of client-based business and investment advisory services.

"The government's seven-year personal income tax plan promises much over a new glide path similar to the ten-year Enterprise Tax Plan. But, like the company tax cuts, the question is whether this plan will garner the support it needs to get through the parliament.

"Further the ATO is to receive additional funding to focus and improve individual taxpayer compliance. No doubt some of this will be for education and enforcement initiatives to address the overclaiming of certain work-related expense claims by individuals.

"For smaller businesses, the instant asset write-off has been extended for another year which is welcome, although it would be preferable that this measure be made a permanent feature of the tax system to help small businesses with their planning," Drum said.

In measures that will also impact some SMEs, the Government announced a number of integrity measures including changes to circular trust arrangements, and a 'clarification' of unpaid present entitlement under Division 7A.

In the context of the government's response to the black economy taskforce review, measures such as new compliance obligations for certain businesses are being introduced by further extending the taxable payment reporting system to security and investigation services, road freight transport and computer design and related services, and a new $10,000 cash payment limit to be introduced that will apply to business payments.

"Related to the work of the black economy taskforce, there are to be tougher rules for illegal phoenixing activities, including increased liabilities for directors.

"Further the ATO will receive additional funding to ramp up its debt collection activities for both tax and super liabilities.

"Changes to the R&D tax incentive to eliminate abuse have also been announced with the rules differing depending on business turnover levels," Drum added.

The big end of town is also in for some further tax changes, although they and their advisers will have to wait for the details of what those changes mean.

“At the top end of town there are changes regarding the taxation of financial arrangements, and extended definition of significant global entity (SGE) as well as changes to tax consolidation rules.

“Changes to the thin capitalisation rules will ensure tax values are in accord with accounting financial reports.

“There are also changes proposed to remove access to the capital gains tax (CGT) discount for managed investment trusts (MITs) and stapled structures to prevent the conversion of trading income into more favourably treated passive income.

“The government is also to engage on how digital businesses should be taxed,” Drum also added.

In the superannuation arena, a number of proposed changes include increasing the possible number of self-managed superannuation fund (SMSF) members from four to six, caps on passive fees on small balance super funds, banning super fund exit fees, and changing the work test for those 65 to 74 years of age who make voluntary contributions to super.

The Treasurer also announced the government would stop super funds from forcing people under 25 with low balances to pay for life insurance policies they did not ask for or need.

The government also announced a three-year audit cycle for SMSFs that have a good compliance record.

“The Treasurer announced changes to enable the ATO to compulsorily acquire small balance super funds and reunite members with their lost funds through a supercharged data matching process which is welcome,’ Drum stated.

Accountants will also need to be across a proposed clampdown on Everett assignments and CGT concessions from tonight, and proposed changes to eliminate fame and image licensing arrangements through a related entity.

Missed opportunities

Income tax savings discount

‘It’s regrettable the government has not taken the initiative to introduce measures that would encourage Australians to save outside the superannuation regime,’ Drum said.

‘CPA Australia supports the introduction of an income tax savings discount on savings earned/ derived outside of the super regime as first proposed in the Australia’s Future Tax System report (the Henry Tax Review). Such a measure would provide improve overall household savings, encourage investment and make it easier for Australians to make larger capital purchases,’ he said.

‘This budget was also the ideal opportunity for the government to commit to initiating a review of the Federal Government’s compensation for defective administration scheme, and include an increase in the compensation available to those affected.

ASIC funding

CPA Australia recommended the government not pursue its full cost recovery model for funding ASICs regulatory activities, and reinstate funding previously cut from the ASIC budget. ASIC funding has now become an even more pressing priority given the evidence currently being heard by the banking royal commission.

-ENDS-

Contact: Karen Hellwig on 0407 332 447 or media@cpaaustralia.com.au