

Tax Update March April 2001

HOLDEN & BOLSTER

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March 2001

Changes to BAS/IAS reporting

Individuals

All individuals (from 1/1/01) have the option of paying PAYG instalments on an amount advised by the Australian Taxation Office each quarter. The installment is based on the previous taxation return.

Those who were using the Installment income x Installment rate method can continue to do so.

You may choose to continue with the instalment rate method if it suits your cash flow depending on how your position has changed between the previous and current year.

GST Changes

Businesses with a turnover of less than \$20 million will benefit from streamlined reporting. All calculation boxes will be removed from the BAS form, and put on an optional separate sheet.

GST Quarterly Payers / Lodgers

Will only have to notify the Australian Taxation Office of GST paid, GST collected and Sales/turnover quarterly. Annually they will provide details of Exports,

Other GST free sales, capital and non capital purchases.

This seems logical to accept this simplification.

Note: This is not an option for monthly lodgers.

Business Turnover less than \$2m

These clients have the option of paying a GST amount advised by the Australian Taxation Office quarterly and lodging an annual reconciliation by the 28th February 2002 or with their tax return, whichever is the earlier.

This is only available if you have reported for the first two full quarters.

The problem with this system is that the payments are based on the first two quarters. They may be too high or low. If low then the balance will be payable at the time of lodging your annual income tax return, when you pay your balance of outstanding tax.

Entity Tax & Consolidation Legislation

You may have heard already that the proposed changes re taxing of Trusts and Grouping of Companies for taxation have been deferred at least until 1 July 2002. In the case of Trusts some "experts" are suggesting it will never go ahead.

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Simplified Tax System (STS)

The STS commences 1 July 2001. The aim is to simplify taxation for small business defined as one with less than \$1m turnover, and less than \$3m in depreciable assets.

The main areas of change are cash basis of accounting and depreciation. All entities who are eligible to use the STS can opt to use cash accounting instead of accruals (i.e. taking up debtors and creditors).

With the depreciation changes all assets less than \$1,000 will be immediately deductible. Anything over \$1,000 will be pooled and (excluding assets with a life of over 25 years) will be written off at 30% per annum based on the remaining asset balance. Buildings and larger capital works (with a life expectancy of over 25 years) will be subject to normal depreciation rules.

Another simplification is movements in trading stock do not have to be brought to account where there is little fluctuation in stock value at end of year. This saves some clients from doing stock takes.

Capital Allowances commencing 1 July 2001

Depreciation rules have changed due to the Unification of Capital

Allowances. These rules commence 1 July 2001, hence some assets will have increased depreciation rates after 1 July and others will have decreased rates. There is no general rule that can be applied, as depreciation is now based on expected life, so please check if you are going to incur large capital expenditure in the near future.

Deductions will be allowed for the following over 5 years, where as no deduction is currently available

- ◆ Business Establishment Costs
- ◆ Business Restructuring Costs
- ◆ Equity Raising Costs
- ◆ Takeover Defence Costs
- ◆ Other costs deductible over the life of a project which are not currently deductible are

- ◆ Community Infrastructure
- ◆ Site Preparation for Depreciating Assets
- ◆ Feasibility Studies
- ◆ Environmental Assessments
- ◆ Ornamental Trees and Shrubs

