

WELCOME

Welcome to our August 2017 edition of the StewartBrown newsletter. We hope to keep you informed of the important tax developments and issues affecting businesses in Australia today and throughout the year ahead.

STEWARTBROWN – INAUGURAL SKI TRIP

StewartBrown staff recently enjoyed our first annual ski weekend to the beautiful snowy mountains. A great time of team bonding and fun, and only the one broken bone!



TAX DEBTS-REPORTING TO CREDIT BUREAUS!

From 1 July 2017 the Australian Taxation Office (ATO) has been given the power to disclose to a credit reporting bureau (CRB) the tax debt information of businesses where those debts have been outstanding for more than 90 days and where the taxpayer has not effectively engaged with the ATO in managing their debts.

The ATO has approximately \$19 billion in outstanding or overdue tax owing, with almost \$13 billion relating to small to medium enterprises with a turnover of less than \$2 million.

The ATO will have discretion whether or not to disclose an unpaid tax debt to a CRB. While the ATO is yet to confirm the specific grounds, it suggests that tax debts will only be reported where:

- the taxpayer has an ABN;
- the debt is over \$10,000;
- the debt has been unpaid for 90 days;
- the debt is not in dispute;
- the taxpayer has not entered into an effective payment plan; and
- the taxpayer has not effectively engaged with the ATO.

Before the ATO discloses information to a CRB, it will notify the taxpayer of its intention to do so. The ATO suggests that business taxpayers should engage early with them to

address any outstanding tax issues and take the following steps:

- ensure all accounting data entries are up-to-date;
- make sure all BAS & IAS are lodged by due dates;
- if a business has an overdue debt with the ATO, contact the ATO immediately to discuss a payment plan;
- endeavour to communicate early with the ATO to resolve any tax debt dispute; and
- if a tax debt is not in dispute, engage with the ATO to enter into a payment arrangement.

Unpaid debts reported to a CRB will potentially have a negative impact on the credit reputation of small to medium enterprises and their directors. The listing of tax debts on such bureaus will almost certainly have an impact on the ability to obtain goods on credit from suppliers and may result in financiers' withdrawing their support. Debts remain listed with CRB's for five years. It is likely to make it more difficult for defaulting businesses to access funding from banks or other lenders, and also potentially cost those businesses more in interest charges to do so.

CROWDFUNDING

Crowdfunding is the practice of funding a project or venture by raising monetary contributions from a large number of people often using internet platforms, mail order subscriptions, benefit events and other methods to raise funds. It has become an increasingly popular method of online fundraising for individuals, businesses, not-for-profits and charities. In 2015, it was estimated that worldwide over US\$34 billion was raised this way.

There are a number of tax consequences of being involved in crowdfunding, depending on what part you play in the process. Usually there are three parties (or roles) in a crowdfunding arrangement:

- the initiator of the project or venture or the campaign creator known as the 'promoter'
- the organisation providing the crowdfunding website or platform, known as the 'intermediary'
- individuals or entities that contribute or pledge money, known as 'contributors'.

Each party may have income tax and GST obligations, depending on their circumstances and the nature of the crowdfunding arrangement.

There are currently four main types (or models) of crowdfunding. Each uses a different strategy to attract funding and each may have different tax consequences for the parties involved.

- (1) In donation-based crowdfunding, a contributor makes a payment (or 'donation') to the project or venture, without receiving anything in return.

- (2) In reward-based crowdfunding, the promoter provides a reward (goods, services or rights) to contributors in return for their payment.
- (3) In equity-based crowdfunding, the contributor makes a payment in return for a share (or equity interest) in the company undertaking the project or venture. The share in the company will provide the contributor with certain rights including the right to participate in future profits (dividends), voting rights, and rights to returns of capital upon winding up.
- (4) In debt-based crowdfunding, the contributor lends money to the promoter (or pool of promoters) who, in return, agrees to pay interest and repay principal on the loan.

To assist donors and charities, the Australian Charities and Not-for-profits Commission ("ACNC") have published guidance on this emerging fundraising practice. Although crowdfunding has the potential to provide great benefits for charities and donors, there are some aspects of the practice that people need to consider before embarking on a campaign or donating to a cause. If you are considering the use of crowdfunding, you can download the ACNC guide at this link: www.acnc.gov.au/crowdfunding.

If you earn or receive any money through crowdfunding, some or all of it may be assessable (taxable) income, depending on the nature of the arrangement, your role in it and your circumstances. All assessable income needs to be declared on your tax return. Similarly some of the costs related to gaining or producing that income may be allowable deductions, providing you have the appropriate records to substantiate your claims.

Crowdfunding transactions may also be subject to GST, depending on the type and nature of the arrangement.

We would encourage you to seek assistance from your StewartBrown Partner or Manager if you are intending to be involved with crowdfunding as the scope of this brief newsletter article could never cover all situations.

PAYROLL TAX – FAST FACTS

What is payroll tax?

Payroll tax is a State tax imposed on employers and is calculated based upon the amount of taxable wages paid. The tax is payable when an employer's total Australian wages exceed the payroll tax-free threshold. Australian wages comprise of NSW wages and interstate wages.

When do you need to register?

You are required to register as soon as your monthly Australian taxable wages exceed the payroll tax-free threshold. The 2017–18 monthly thresholds are:

- 28 day month – \$57,534
- 30 day months – \$61,644
- 31 day months – \$63,699.

The annual threshold for the year ended 30 June 2018 is \$750,000. The payroll tax rate is 5.45% and is calculated on the excess over the annual threshold amount.

For payroll tax purposes, wages include:

- gross wages and salaries

- bonuses
- directors fees
- allowances
- payments to certain contractors
- superannuation contributions
- fringe benefits.

If your business is a member of a group for payroll tax purposes, you need to aggregate all Australian wages paid in order to establish if the monthly threshold has been exceeded.

For more information about payroll tax contact your StewartBrown Partner or Manager.



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