

RECOMMENDATIONS

Provisional Tax

Recommendation 1.1:

The Committee recommends that where provisional tax is payable in quarterly instalments, the earliest due dates be 30 October, 30 January, 30 April of the year of income, and 30 July immediately following the year of income.

Recommendation 1.2:

The committee endorses the concept of PAYG as an option and recommends that:

- (i) the proposed PAYG system be refined to enable maximum flexibility of voluntary payment arrangements to recognise the reality of the volatility of small business incomes and the difficulties encountered by small business in containing compliance and accounting costs: and to this end
- (ii) the proposed PAYG system allow flexibility to small businesses in estimating their end of year instalment; and
- (iii) small businesses be ensured of retaining any provisional tax credits upon electing to enter the PAYG system

Recommendation 1.3:

The Committee recommends that the winegrape growers industry look at taking advantage of the new PAYG system of payments if it is implemented. The Committee also recommends that in the event that PAYG turns out to be unsatisfactory to the industry, the Government consider granting use of a substituted accounting period appropriate to the industry's financial and seasonal circumstances.

Provisional Tax Uplift Factor

Recommendation 2.1:

The Committee recommends that the provisional tax uplift factor be set at a level no higher than the current or projected annual movement in the Consumer Price Index.

Penalties

Recommendation 2.2:

The Committee recommends that the only penalty for understating taxable income when lodging an application when lodging and application to a vary provisional tax be a levy calculated by applying the highest commercial rate of interest to the unpaid tax resulting from understated income.

Wholesale Sales Tax

Recommendation 3.1:

The Committee recommends that, in addition to the current threshold which enables quarterly remittances, businesses defined as 'small' by the Australian Bureau of Statistics in ABS Catalogue No. 1321.0 (Small Business in Australia 1993) be permitted to remit sales tax either:

- (i) on a quarterly basis; or
- (i) 45 days after the end of the month in which the transaction occurs

Recommendation 3.2:

The Committee recommends that the Government conduct a comprehensive review of the sales tax exemptions and classifications system with a view to:

- (i) removing the ambiguities and complexities within and between the sales tax classification schedules: and
- (ii) establishing a simple effective process whereby the classification of new products can be quickly and simply achieved, thereby lessening reliance on the general rate of sales tax as a default rate.

Recommendation 3.3:

The Committee recommends that the \$10,000 sales tax threshold for the small business exemption be indexed annually.

Fringe Benefits Tax

Recommendation 4.1:

The Committee recommends that small businesses be exempt from annual FBT liabilities Of \$200 or less.

Recommendation 4.2:

The Committee recommends that statutory and compulsory award obligations from which an employer is prohibited from cashing out into salary or wages be exempt from FBT

Recommendation 4.3:

The Committee recommends that car parking be exempt from the FBT.

Recommendations 4.4:

The Committee recommends a that child care be exempt from the FBT where a number of small business combined to provide child care exclusively for the children of the personnel employed by those businesses.

Company Tax

Recommendation 5.1:

The Committee recommends:

- (i) that the Government investigate the adequacy of the notification of the new company tax arrangement, in particular to those companies with company tax liabilities of between \$8,000 and \$20,000; and
- (ii) that the Government ensure that taxpayers which are affected by changes in the legislation are properly notified well in advance.

Recommendation 5.2:

The Committee recommends that 'small' and 'medium' company tax payers be permitted the option of paying their tax instalments on a quarterly basis applicable to either 'medium' or 'large' taxpayers.

Capital Gains Tax

Recommendation 6.1:

The Committee recommends that CGT be deferred on the capital gain realised on the sale of a trading business which is rolled over by the vendor into another trading business.

Recommendation 6.2:

The Committee recommends that:

- (i) the Government examine the proposal to phase out the CGT on fixed assets once they have held for a certain period of time say 25 years;
- (ii) section 47(1A) of the ITAA which ignores nominal capital losses and depreciation when calculating capital gain to be added to income, be review and amended, if necessary.

Trading Stock Valuations

Recommendation 6.3:

The Committee recommends that:

- (i) the Government review the method of valuing trading stock for small businesses to ascertain its continued relevance to trading stock where stock turnover is slower than average, or where there is a greater than normal build up of stock necessitated by the nature of the business; and
- (ii) the method for valuing trading stock for the wine industry be reviewed to recognise the specific characteristics applying to the industry, particularly in relation to the maturation of wine stocks which are geared to producing premium wines.

Carryback of Losses:

Recommendation 7.1:

The Committee recommends that the Government investigate the efficacy of implementing carry-back of losses for a limited period.

Provision for Statutory Liabilities

Recommendation 7.2:

The Committee recommends that the Government investigate the possibility allowing the provision for money for statutory liabilities (such as long service leave) to be placed in approved deposit schemes, Or equivalents. Money deposited in such a scheme should not be treated as assessable income until such time as it is withdrawn from the scheme.

Income Averaging and Income Equalisation Deposit Scheme

Recommendation 7.3:

The Committee recommends that the Government implement the Beddall Committee's recommendation to introduce an income average facility and an income equalisation deposit scheme of the type currently enjoyed by primary producers, to assist (on an individual basis) other small businesses which experience large income fluctuations across income years.

Small Business Establishment Costs

Recommendation 7.4:

The Committee recommends that the Government implement Recommendation 41 of the report by the Beddall Committee that small establishment costs be allowable as deductions from income subsequently derived from a small business.

Small Business Statistics

Recommendation 8.1:

The Committee recommends that:

- (i) the ATO compile and publish aggregated tax data, arrayed by business size; and
- (ii) changes to tax law be preceded by the preparation of small business impact statements prepared after consultation with small business and its representatives through existing for a.