



Australian Government



Australian
**Small Business and
Family Enterprise**
Ombudsman

16 August 2018

Black Economy Division
The Treasury
Langton Crescent
PARKES ACT 2600

By email: Blackeconomy@treasury.gov.au

Dear Kathleen de Kleuver

2018-19 BUDGET BLACK ECONOMY MEASURES NO. 2- REMOVING TAX DEDUCTIBILITY OF CERTAIN PAYMENTS

We do not support the proposed measure – removing tax deductibility of certain payments if certain withholding obligations have not been complied with. In particular, the obligations under the pay-as-you-go (PAYG) Withholding system.

The majority of small businesses do the right thing and meet their Pay-as-you-go (PAYG) requirements. Small businesses may miss a PAYG payment through oversight or by circumstance. If the ability to claim general tax deductions for a minor infraction is removed, it creates a barrier for the small business to make catch up payments and meet its PAYG obligations going forward.

When a small business is affected by circumstances outside of their control, for example a late payment by a major customer, the priority of the small business is to maintain cash flow to ensure the business can continue to operate. This was highlighted during the recent review of the Treasury Laws Amendment (2018 Superannuation Measures No.1) Bill 2018. A small business will be better placed to commit cash flow to catch up payments if they can also rely on the claiming general deduction in relation to these payments.

For unsophisticated small businesses, a lack of tax education contributes to unintentional oversights. Raising awareness of best practice through channels in which small businesses are actively present, could deliver greater awareness and better results than applying punitive actions when regulatory compliance has not been met.

We consider the proposed small business 12-month superannuation amnesty, which enables small businesses to get back on track, as an illustration. During the amnesty period, small business are not liable for penalties for unpaid superannuation contributions, and are able to claim a deduction for catch-up payments made during the amnesty.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Jill Lawrence on 02 6263 1558 or at jill.lawrence@asbfeo.gov.au.

Yours sincerely

Kate Carnell AO

Australian Small Business and Family Enterprise Ombudsman

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