

Kevin Rudd and Labor

A New Way



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CUTTING BUSINESS RED TAPE – REDUCING THE BURDEN OF GST

Policy Summary

The Rudd Labor Government will cut red tape for small and medium businesses by reducing the paperwork burden of the GST.

Federal Labor will reduce the number of times that small and medium businesses need to lodge GST returns from four times a year to just once.

Businesses with a GST turnover under \$20 million a year will be allowed to lodge their Business Activity Statement (BAS) once a year from 1 July 2014. This is a ten-fold increase from the current \$2 million turnover threshold for annual lodgement.

These businesses will be able to pay simple instalments based on GST paid in the previous year, and lodge an annual BAS at the end of the financial year to reconcile any difference.

This aligns GST more closely with the Pay As You Go income tax system and means businesses will no longer have to make complex GST calculations throughout the year.

In addition, a Rudd Labor Government will also consult on ways to allow more businesses to benefit from this reform by allowing refunds of GST credits throughout the year for businesses in a net GST refund position. This will be important for many businesses who would otherwise choose to lodge returns through the year just to get a refund.

Why are we doing this?

Federal Labor is committed to cutting red tape for small and medium businesses.

This reform will slash red tape for businesses currently filling in a GST business activity statement (BAS) every three months.

It will allow business owners to spend less time on paperwork and more time running their business or with their family.

Small and medium businesses are the engine rooms of Australia's economic prosperity.

Reducing the GST compliance burden will ensure they continue creating jobs for the future as the economy faces the end of the mining investment boom.

How will it work?

Currently, businesses with a GST turnover under \$2 million are able to access the GST instalment system.

From 1 July 2014, businesses with a GST turnover under \$20 million will also be able to access the GST instalment system.

Businesses will be able to pay instalments of estimated GST quarterly (or twice a year for primary producers), with an annual reconciliation at end of the year.

The Tax Commissioner will notify businesses of their GST instalment rate based on the GST paid in the previous year.

No penalties will apply where an under-instalment results simply from the adoption of the Commissioner's notified instalment rate.

Businesses will be able to vary their GST instalments down if they feel their circumstances have changed and they do not accept the Commissioner's instalment rate. The variation is made by notifying the Commissioner on or before the due date for the instalment.

What are the benefits?

The GST represents nearly half of the tax compliance cost for business.

Under Federal Labor's plan, around 1.35 million with a GST turnover under \$20 million will be eligible to access the GST instalment system.

This allows businesses to spend less time doing paperwork and more time running a business or spending time with their family.

Financial Implications

This change is estimated to have an unquantifiable but small impact on revenue over the forward estimates period.