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23 March 2022

# Cash flow support and red tape reduction to help small business

**Joint media release with**

**The Hon Stuart Robert MP**

**Minister for Employment, Workforce, Skills, Small and Family Business**

**Acting Minister for Education and Youth**

**The Hon Ben Morton MP**

**Minister Assisting the Prime Minister and Cabinet**

**Minister for the Public Service**

**Special Minister of State**

The Morrison Government is taking decisive action to slash red tape and provide cash flow support for millions of small and medium businesses as part of our plan for a stronger future.

As part of the 2022-23 Budget, the Government has announced a package of measures to slash red tape and boost the cashflow of more than 2.3 million small businesses and sole traders.

These measures generate an annual compliance saving of \$800 million every year; money that businesses can use to invest, innovate and create more jobs for Australians.

## Lowering tax instalments in 2022-23

The Government will set the GDP uplift rate that applies to pay-as-you-go (PAYG) instalments and GST instalments to two per cent for the 2022-23 income year. This rate is significantly lower than the 10 per cent rate that would have applied under the statutory formula.

A lower uplift rate will mean lower instalments, delivering \$1.85 billion in cash flow support for 2.3 million small to medium businesses, sole traders and individuals with passive income (including some self-funded retirees) that are eligible to use the instalment amount method.

This measure will apply to the 2022-23 income year, in respect of instalments that fall due after the enabling legislation receives Royal Assent.

## Aligning instalment payments with financial performance

The 2022-23 Budget includes new measures to leverage technology to automate tax reporting requirements and align instalment payment obligations with financial performance. These measures will reduce compliance costs, improve processing times and support cash flow management for SMEs.

## Improved cash flows through an improved pay as you go instalment system

The Government is also supporting companies to manage cash flows by allowing companies to calculate PAYG instalments based on financial performance. If financial performance declines, companies may be able to get refunds of instalments paid automatically.

The measure will initially support over 500,000 companies with PAYG instalment obligations.

New systems to implement this measure are expected to be in place by 31 December 2023 for implementation by 1 January 2024.

## Facilitating pre-filling of payroll tax returns through data sharing

The Government will facilitate sharing of single touch payroll data with State and Territory Governments on an ongoing basis to cater for pre-filling payroll tax returns. This will facilitate further investments by States and Territories in their own systems to improve lodgement accuracy, reduce compliance costs and save time for the approximately 170,000 businesses that have payroll tax reporting obligations.

New South Wales, Victoria, Western Australia, South Australia, Queensland and Australian Capital Territory are already participating in a trial data transfer to understand how STP data can deliver benefits to their payroll-tax clients.

The Government is on track to complete its IT system implementation by late 2023.

## Smarter reporting of taxable payments

The Government will allow eligible businesses the option to report taxable payments reporting system data via software at the same time as activity statements. Businesses that opt into automatic reporting will no longer need to invest time and money filling out the yearly Taxable Payments Annual Report.

Currently, approximately 190,000 businesses that contract for services relating to building and construction, cleaning, road freight and courier, security, investigation, surveillance or information technology services are required to fulfil this obligation on an annual basis.

New systems are expected to be in place by 31 December 2023, for implementation by 1 January 2024.

## Digitalising trust income reporting

The Government will develop systems to ensure all trusts will have the option to lodge income tax returns electronically. Digitalising the reporting of trustee and beneficiary obligations will reduce errors and processing times and create capacity to pre-fill beneficiaries' tax returns.

This measure will facilitate electronic lodgement for up to 30,000 trusts that currently lodge by paper. There are just under 1 million trusts and around 1.8 million beneficiaries in the Australian tax system.

New systems are expected to be in place by 1 July 2024.

## Aligning the excise and other reporting requirements

The Government is lowering the costs of doing business for manufacturers, importers and distributors in the alcohol and fuel sectors by enabling businesses with an annual turnover of less than \$50 million to lodge and pay excise and excise-equivalent customs duty on a quarterly basis, from 1 July 2023.

Currently, most of these businesses report monthly, with some reporting weekly. The new quarterly lodgement schedule will better align with the reporting and payment schedule of other indirect taxes, with returns and payments required no later than the 28th day of the month after the end of each quarter.

## More information

More information about the Government's comprehensive support for small and medium enterprise will be contained in Budget 2022-23.

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