

Removing Tax Deductibility of Non-Compliant Payments



- By Penny McGuinness, Manager and Senior Accountant

From 01 July 2019, the ATO will remove the tax deductibility of payments made that do not comply with the withholding requirements. These payments include:

- Payments to Employees
- Payments to Directors
- Payments to certain Contractors

The majority of employers would be withholding tax from wages and other payments made to employees and directors, however are you aware of your obligations when it comes to contractors? When a contractor gives you an invoice that does not quote a valid ABN, you are required to withhold tax from the payment to that contractor at the highest marginal tax rate of 47% (including Medicare levy). Not only does the invoice have to have an ABN quoted, but our dealings with the ATO on the matter have seen them push a surprising amount of onus back on to you (the business owner), in this instance. Specifically, we have examples where business owners were required to be checking the ABN quoted by a contractor to ensure that it was active and that the details were correct. On a different but connected matter, the business owner should also be checking the GST registration status of contractors to ensure that this is reflected correctly on the invoice as well.

The new legislation means that from 1 July 2019, when you do not withhold correctly from Employees, Directors or Contractors, the payments you make to them will become non deductible to your business. Most business' pay large sums of money in wages and contract expenses and the implications of having these payments deemed not deductible could have a huge effect on their tax position.

Don't let yourself get caught out by these new rules. If you need more information or assistance with knowing your PAYG obligations please contact our office to discuss.



Team Visits to Clermont

The Flor-Hanly team visit the Clermont office each month. Please call our office on 07 4963 4800 if you wish to schedule an appointment.

14 & 15 March

11 & 12 April

16 & 17 May

6 & 7 June

20 & 21 June



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Our team visits CLERMONT monthly. **CALL TODAY** for an appointment!



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