



# Budget 2016



## Less red tape for business

Some tax rules are complex and difficult to apply, imposing unnecessary red tape and cost on business.

One particularly complex set of tax rules is Division 7A of Part III of the Income Tax Assessment Act 1936. This Division contains detailed rules to determine what kinds of benefits to shareholders and their associates are treated like unfranked dividends and therefore subject to personal income tax without any credit for company tax paid.

Breaches of these complex rules result in additional tax being imposed on income distributed by businesses.

### The details

The Coalition Government believes that it should be as easy as possible for businesses to comply with the regulations and laws that apply to them.

For this reason the Government will work with stakeholders to develop targeted changes to simplify Division 7A and make it easier to understand and apply. Subject to the outcomes of consultation, the Government will amend these rules to include:

- A self-correction mechanism providing taxpayers whose arrangements have inadvertently triggered Division 7A with the opportunity to voluntarily correct their arrangements without penalty;
- new safe harbour rules, such as for use of assets, to provide certainty and simplify compliance for taxpayers;
- amended rules, with appropriate transitional arrangements, regarding complying Division 7A loans, including having a single compliant loan duration of ten years and better aligning calculation of the minimum interest rate with commercial transactions; and

- technical amendments to improve the overall operation of Division 7A.

These changes will mean less red tape, greater certainty, improved integrity and more time for businesses trying to do the right thing to get on with actually doing business.

The changes are expected to commence from 1 July 2018.

#### Budget impact

This measure has an unquantifiable cost to revenue.