

TREASURER



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SMALL BUSINESS DEREGULATION TASKFORCE — PAY AS YOU GO PROPOSAL

Financial Implications (\$m)

1997-98	1998-99	1999-00	2000-01
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Explanation

The Report of the Small Business Deregulation Task Force (SBDTF) recommended the introduction of an optional Pay As You Go (PAYG) system to allow small businesses and other provisional taxpayers the option of paying their tax in instalments from current business receipts from their 1998-99 income year. The SBDTF recommended that the instalments be calculated by applying a taxpayer's average tax rate from a previous year to the taxpayer's receipts for each quarter (ie a formula based approach).

The Government undertook to examine the SBDTF's recommendation as part of the 1997-98 Budget deliberations, but noted that an additional payment system would add complexity to the tax system and that the timing of the revenue collections had to be considered. The Australian Taxation Office's subsequent review of the proposal has confirmed that the SBDTF's formula is quite complex when applied to partnership or trust income, dividends or foreign source income, and to situations in which a taxpayer receives income from salary and wages or other sources in addition to business income. The formula could significantly increase taxpayer compliance costs.

The Government will continue to examine options for further improving tax payment arrangements beyond the withholding tax arrangements announced in the Budget.

The above material is a full extract of the description of the measure as contained in *Budget Paper No 2: Budget Measures 1997-98*. This paper explains all outlays and revenue measures, and is available from Australian Government Bookshops or from the Treasury Internet site at <http://www.treasury.gov.au/budget>

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