



Australian Government



Australian  
**Small Business and  
Family Enterprise**  
Ombudsman

15 September 2022

Director, Tax Administration Unit  
Individuals and Indirect Tax Division  
Treasury  
Langton Cres  
Parkes ACT 2600

*via: taxadministrationconsultation@treasury.gov.au*

Dear Sir/Madam

**Proposed exclusions from shorter period of review for small and medium entities**

We welcome the opportunity to comment on the exposure draft regulations *Income Tax Assessment (1936 Act) Amendment (Period of Review) Regulations 2022* (the Regulations) and support the increased threshold for eligibility of a shorter review period from \$10 million to \$50 million. However, we are concerned the proposed additional exclusions in the Regulations will prevent significantly more of the smaller businesses already accessing a two-year amendment period to continue to do so. As such, we provide the following comments.

- 1. Consideration should be given to only applying the additional exclusions to businesses with an annual turnover greater than \$10 million.** The 2004 Review of Aspects of Income Tax Self-Assessment found that the four-year period of amendment could be reduced to two-years without greatly increasing the risks presented by small business taxpayers. The addition of further exclusions to the two-year amendment period for businesses with an annual turnover of less than \$10 million will increase complexity and reduce certainty for taxpayers without clear benefit for the Government, and without providing evidence of an issue with the current operations.
- 2. We are particularly concerned by the inclusion of the threshold for assessable income from foreign sources and Capital Gains Tax (CGT) relief, as reasons for exclusion from a two-year review period.** The Small Business Random Enquiry Program (the Program) run by the Australian Taxation Office (ATO), assessed the reviews and audits of approximately 2,000 small business taxpayers and found that mistakes in reporting occurred because of poor record keeping, a lack of reconciliation processes, carelessness, and complexity. The Program made no mention of CGT relief and international transactions as causing issues in small business reporting.

The additional exclusions outlined in the Regulations will capture significant numbers of small and family businesses, diminishing the benefits that the increased threshold provides to the ATO and the taxpayer through a reduced review period.

Thank you for the opportunity to comment. If you would like to discuss this matter further, please contact Mr Cameron Dyson-Smith on 02 5114 6105 or at [Cameron.Dyson-Smith@asbfeo.gov.au](mailto:Cameron.Dyson-Smith@asbfeo.gov.au).

Yours sincerely

**The Hon. Bruce Billson**

Australian Small Business and Family Enterprise Ombudsman

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