

From: [Atfield, Michael](#)
To: ["Eric Wilson"](#)
Subject: RE: Proposed GST/PAYE trade-off option for pre-revenue/low-revenue start-ups - Eric Wilson - Founder - DocBlaster Pty Ltd [SEC=UNOFFICIAL]
Date: Thursday, 12 July 2018 9:50:04 AM

Thank you Eric. I have passed this onto the review team.

Kind regards
Michael

From: Eric Wilson [mailto:ericw@docblaster.com]
Sent: Wednesday, 11 July 2018 4:23 PM
To: Atfield, Michael
Subject: Re: Proposed GST/PAYE trade-off option for pre-revenue/low-revenue start-ups - Eric Wilson - Founder - DocBlaster Pty Ltd [SEC=UNOFFICIAL]

Dear Michael,

Thanks for your reply. I may also add the Income Tax Act also makes zero-sense for a pre-revenue start-up which cannot possibly owe the Government - and yet we have to in effect pay the accountant \$2,000+ per year just to tell the government that. ***I believe my company should certainly be able to defer its tax return to a revenue-producing year*** to save on these meaningless accounting fees. They are meaningless to everyone because a pre-revenue start-up is all about cashflow accounting - the P & L is practically useless information until *revenue exceeds payroll*. This measure would save micro-business a lot of money during start-up years, plus marginally reduce the ATO's processing costs, all at no cost to the Federal Budget.

Therefore in addition to an optional GST/PAYE tradeoff, **I strongly recommend start-ups (and perhaps small companies generally) be exempt from having to file an income tax return if revenue does not exceed payroll and be able to back-claim those expenses (e.g. depreciation starts at the time of asset acquisition) in future years.** Combined, these two measures could give micro-businesses a boost by reducing accounting fees and wasted management time on zero-sum tax administration.

Thanks again for your consideration,

Eric Wilson

On 11/07/18 10:49, Atfield, Michael wrote:

Dear Eric,

Thank you for your comments on comments on how we can improve tax concessions for small businesses.

Kind regards
Michael

Michael Atfield
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From: Eric Wilson [<mailto:ericw@docblaster.com>]

Sent: Thursday, 5 July 2018 4:57 PM

To: Tax Board

Subject: Proposed GST/PAYE trade-off option for pre-revenue/low-revenue start-ups - Eric Wilson - Founder - DocBlaster Pty Ltd

Dear Tax Board,

Thank you for your inquiry into tax concessions.

This small company has benefited from the R&D concessions. However a start-up during this period will often make no revenue or very little revenue, yet is still lumped with GST refund and PAYE administrative burdens that may be close to a zero-sum-game for the government, canceling each other out. Thus there may be not much net tax to the government, or even a small tax refund obligation owed by the government, while burdening the start-up with red tape instead of allowing the founders to concentrate on commercialisation and initial customer acquisition.

Therefore tax collection *and* refunding (e.g. PAYE, GST) on very small turnovers should be optionally exempt, as the administrative cost of collection / refund claiming *by the micro-business* may exceed the taxes collected or refunds owed, which is bad for the economy at one of its most delicate points. Indeed, it is a manifestly unjust burden to put any GST reporting requirements on a pre-revenue start-up, since it cannot owe the government any GST at all. In effect, the GST is calculated only for the sake of the refund offsetting moneys held for PAYE.

But is all the effort of doing these calculations really worth it? If there are say 3 employees (e.g. founders or the founder's first hires) and average income per full time equivalent is \$37,000 (e.g. minimal wages but with a share scheme in place), withheld personal income tax is likely to be about \$10,000 p.a. for the entire business activity. Respectfully, this should be waived if the start-up is prepared to waive its GST refunds. This is because where pre-revenue yearly costs are only \$50,000 or so, the GST refund might be \$5,000. Thus a pre-revenue company spending \$150,000 in its first year may be \$5,000 better off in cashflow under an optional GST/PAYE exemption trade-off, however the big payoff is releasing the founder/s from wasting their time doing administration. Indeed ***it would be worth forgoing GST refund for up to \$100,000 of spending***, which may cost the business cash and save the Commonwealth \$5,000 in cash refund in the example. But even then, the payoff for the start-up is the founder/s or initial hires have more time to get to market quicker or set up for initial sales which may be easily worth the sacrifice of \$5,000 lost to the government's coffers!

I strongly urge the board to consider a GST/PAYE trade-off option/exemption for pre-revenue and low-revenue start-ups. The tax system should be

streamlined for pre-revenue and low-revenue startups so that they can focus on becoming productive rather than chasing their administrative tails. It's only fair that the administration of marginal taxes should be minimised during the initial loss-making years, so that today's start-ups can grow up to become our nation's meaningful tax-payers and employers of the future.

Thanks again for your review,

Eric Wilson
Grad. Cert. Innovation & Entrepreneurship

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