# CLIENT ALERT



## Coronavirus: Government announces new tax measures

The Government has announced a number of economic responses to the Coronavirus (or 'COVID-19') pandemic, including economic stimulus packages worth billions of dollars.

Some of the key tax measures include:

- From Thursday **12 March 2020**, the instant asset write-off threshold has been increased from $30,000 (for businesses with an aggregated turnover of less than $50 million) to **$150,000** (for businesses with an aggregated turnover of less than $500 million) until 30 June 2020.

- A time-limited 15-month investment incentive (through to 30 June 2021) which will operate to accelerate certain depreciation deductions.

  This measure will also be available to businesses with a turnover of less than $500 million, which will be able to immediately deduct 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.

- Small and medium-sized businesses (and not-for-profit entities), with an aggregated annual turnover of less than $50 million that employ people, may be eligible to receive a total payment of up to $100,000 (with a minimum total payment of $20,000), based on their PAYG withholding obligations.

- A new **'JobKeeper Payment'** will be available to assist eligible employers (and self-employed individuals) who have been impacted by the Coronavirus pandemic to continue to pay their workers.

  Eligible employers will be able to claim a subsidy of **$1,500 per fortnight**, per eligible employee, from 30 March 2020 (with payments commencing from the first week of May 2020), for a maximum period of six months.

Importantly, eligible employers must actually elect to participate in the JobKeeper Scheme via an application to the ATO. In making such an application, an employer will also need to:

- Provide information to the ATO on all eligible employees (i.e., confirming the eligible employees were engaged as at 1 March 2020 and are currently employed by the business, including those who have been stood-down or re-hired).

- Continue to provide information to the ATO on a monthly basis, including the number of eligible employees employed by the business and details of its turnover.

## New super guarantee amnesty

On 6 March 2020, the government introduced a superannuation guarantee ('SG') amnesty.

This amnesty allows employers to disclose and pay previously unpaid super guarantee charge ('SGC'), including nominal interest, that they owe their employees, for quarter(s) starting from 1 July 1992 to 31 March 2018, without incurring the administration component ($20 per employee per quarter) or Part 7 (double SGC) penalty.

In addition, payments of SGC made to the ATO after 24 May 2018 and **before 7 September 2020** will be tax deductible.

## Shortcut method to claim deductions if working from home

As the situation around COVID-19 continues to develop, the ATO understands many employees are now working from home. To make it easier when claiming a deduction for additional running costs you incur as a result of working from home, special arrangements have been announced.

A simplified method has been introduced that allows you to claim a rate of 80 cents per hour for all your running expenses, rather than having to calculate the additional amount you incurred for specific running expenses.

This simplified method will be available to use from 1 March 2020 until 30 June 2020. You may still use one of the existing methods to calculate your running expenses if you would prefer to.

You can claim a deduction of 80 cents for each hour you work from home due to COVID-19 as long as you are:

- Working from home to fulfil your employment duties and not just carrying out minimal tasks such as occasionally checking emails or taking calls; and
- Incurring additional deductible running expenses as a result of working from home.

You do not have to have a separate or dedicated area of your home set aside for working, such as a private study.

## SMSFs may be able to offer rental relief to related party tenants

As a result of the financial effects of the COVID-19 pandemic, some self-managed superannuation funds ('SMSFs') which own real property may want to give a tenant – who is a related party – a reduction in rent because the related party tenant has had a collapse in revenue.

Charging a related party a price that is less than market value is usually a contravention of the strict legislative rules SMSFs and their trustees are required to follow.

The ATO has recently advised that its approach for the 2019–20 and 2020–21 financial years is that it will not take action if an SMSF gives a tenant – even one who is also a related party – a temporary rent reduction, waiver or deferral because of the financial effects of COVID-19 during this period.

If there are temporary changes to the terms of the lease agreement in response to COVID-19, it is important that the parties to the agreement document the changes and the reasons for the change. You can do this with a minute or a renewed lease agreement or other contemporaneous document.

## JobKeeper declaration due 14 June

Businesses that have enrolled in the JobKeeper Scheme and identified their eligible employees are reminded that they will need to make a monthly declaration to the ATO to ensure they continue to receive JobKeeper payments.

The monthly declaration must be made by the 14th day of each month to claim JobKeeper payments for the previous month.

As part of the declaration, businesses will need to:

- ensure they have paid their eligible employees at least $1,500 (before tax) in each JobKeeper fortnight they are claiming for;
- re-confirm their eligible employees, including notifying if an eligible employee has changed or left employment; and
- provide the current and projected GST turnover of the business – note, this is not a retest of the eligibility of the business.

For example, to claim JobKeeper payments for the May 2020 JobKeeper fortnights, businesses must report their GST turnover for the month of May 2020 as well as their projected GST turnover for the month of June 2020 by 14 June 2020.

The monthly declaration can be lodged through the ATO business portal or through STP-enabled software. Alternatively, tax agents can assist clients by lodging the monthly declaration on behalf of registered clients.

## ATO reminder for employers – Finalise STP data for 2020

The ATO has issued a reminder to employers who report through Single Touch Payroll ('STP') – which should be all employers, unless an exemption or deferral applies – that they will need to finalise payroll information for the 2020 income year by making a declaration.

The due date for making finalisation declarations is:

- 14 July 2020 for employers with 20 or more employees; and
- 31 July 2020 for employers with 19 or fewer employees.

Employers that finalise through STP are not required to provide payment summaries to employees and lodge a payment summary annual report to the ATO.

Instead, employees will be able to access their payroll information (for preparation of their 2020 tax return) through a registered tax agent or via ATO online services.

# 2019/20 Individual Tax Return Checklist

**Your Checklist**

- Claims for deductions ✓
- Receipts for deductions ✓
- Car claims and log books ✓

*Please review the information below and contact our office if you need assistance.*

## Tax saving strategies prior to 1 July 2020

*A good strategy to reduce tax payable is normally to accelerate any income tax deductions into the current income year, which will reduce overall taxable income in the current year. Despite this, for the 2020 tax season, tax planning may require consideration of an individual's potentially reduced income as a result of the COVID-19 pandemic (where applicable), in which case a decision may be made to defer expenditure.*

| Resident taxable income thresholds for the 2019/20 income year | Tax payable[1] |
|---|---|
| 0 – $18,200 | Nil |
| $18,201 – $37,000 | 19% of excess over $18,200 |
| $37,001 – $90,000 | $3,572 + 32.5% of excess over $37,000 |
| $90,001 – $180,000 | $20,797 + 37% of excess over $90,000 |
| $180,001 and over | $54,097 + 45% of excess over $180,000 |

*1. The Medicare levy of 2% generally applies in addition to these rates.*

### Common claims made by individuals

The following outlines common types of deductible expenses claimed by individual taxpayers, such as employees and rental property owners, plus some strategies that may be adopted to increase deductions for the 2019/20 income year.

**1. Depreciable plant, etc, costing $300 or less**

Salary and wage earners and rental property owners will generally be entitled to an immediate deduction if certain income-producing assets costing **$300 or less** are purchased before 1 July 2020.
Some purchases you may consider include:

- books and trade journals;
- briefcases/luggage or suitcases;
- calculators or electronic organisers;
- electronic tablets;
- software;
- stationery; and
- tools of trade.

**2. Clothing expenses**

Individuals can purchase or pay for work-related clothing expenses prior to the end of the income year such as:

- ☐ compulsory (or non-compulsory and registered) uniforms, and occupation specific and protective clothing; and
- ☐ other associated expenses such as dry-cleaning, laundry and repair expenses.

### 3. Self education expenses

Individuals could consider prepaying self education items before the end of the income year:

- course fees (but not HELP repayments), student union fees, and tutorial fees; and
- interest on borrowings used to pay for any deductible self education expenses.

Also they could bring forward purchases of stationery and text books (i.e., those which are not required to be depreciated).

### 4. Other work-related expenses

Employees can also prepay any of the following expenses prior to 1 July 2020:

- union fees;
- subscriptions to trade, professional or business associations;
- magazine and professional journal subscriptions;
- seminars and conferences; and
- income protection insurance (excluding death and total/permanent disability).

*Note: When prepaying any of the expenses above before 1 July 2020, ensure that any services being paid for are to be provided within a 12 month period that ends before 1 July 2021. Otherwise, the deductions must generally be claimed proportionately over the period of the prepayment.*

## Information Required

We will need you to provide information to assist us in preparing your income tax return. Please check the following and provide any relevant statements, accounts, receipts, etc., to help us prepare your return.

**Income/Receipts:**

- ❑ details of your employer(s) and wages;
- ❑ lump sum and termination payments;
- ❑ government pensions and allowances;
- ❑ other pensions and/or annuities (including JobKeeper payments);
- ❑ allowances (e.g., entertainment, car, tools);
- ❑ interest, rent and dividends;
- ❑ distributions from partnerships or trusts; and
- ❑ details of any assets sold that were either used for income-earning purposes or which may be liable for capital gains tax ('CGT').

**Expenses/Deductions (in addition to those mentioned above):**

- award transport allowance claims;
- bank charges on income-earning accounts (e.g., term deposits);
- bridge/road tolls (travelling on business);
- car parking (when travelling on business);
- conventions, conferences and seminars;
- depreciation of library, tools, business equipment (incl. portion of home computer);
- gifts or donations;
- home office running expenses:
  - cleaning
  - cooling and heating
  - depreciation of office furniture
  - lighting
  - telephone and internet;
- interest and dividend deductions:
  - account keeping fees
  - ongoing management fees
  - interest on borrowings to acquire shares
  - advice relating to *changing* investments (but *not* setting them up);
- interest on loans to purchase equipment or income-earning investments;
- motor vehicle expenses (work related);
- overtime meal expenses;
- rental property expenses – including:
  - advertising expenses
  - council/water rates
  - insurance
  - interest
  - land tax
  - legal expenses/management fees
  - genuine repairs and maintenance
  - telephone expenses;
- superannuation contributions;
- sun protection items;
- tax agent fees;
- telephone expenses (business); and
- tools of trade.

# 2019/20 Year-end Checklist for Business

Many of our business clients like to review their tax position at the end of the income year and evaluate any year-end strategies that may be available to legitimately reduce their tax. Traditionally, year-end tax planning for small businesses is based around two simple concepts (i.e., Accelerating business deductions and deferring income). This year, consideration will obviously also need to be given to the impact of the COVID-19 pandemic on specific businesses.

Small Business Entities ('SBEs') (i.e., Businesses with an aggregated turnover of *less than* **$10 million**) often have greater access to year-end tax planning due to particular concessions that only apply to them. Taxpayers that qualify as an SBE can generally pick and choose which of the concessions they wish to use each year (although see below regarding the simplified depreciation rules). The following are a number of areas that may be considered for **all** business taxpayers.

## Maximising deductions for non-SBE taxpayers

Non-SBE business taxpayers should endeavour to maximise deductions by adopting one or more of the following strategies:

- Prepayment strategies;
- Accelerating expenditure; and
- Accrued expenditure.

## Prepayment strategies – non-SBE

Any part of an expense prepayment relating to the period up to 30 June is generally deductible.

In addition, non-SBE taxpayers may generally claim the following prepayments in full:

- expenditure under $1,000;
- expenditure made under a 'contract of service' (e.g., salary and wages); or
- expenditure required to be incurred under law.

*Note: Prepayments can be a little confusing, so before you commit to making a payment please feel free to call us with any queries or assistance if required.*

## Accelerating expenditure – non-SBE

This is where a business taxpayer brings forward expenditure on regular, on-going deductible items. Business taxpayers are generally entitled to deductions on an 'incurred basis'. Therefore, there is generally no requirement for the expense to be paid by 30 June 2020 (i.e., as long as the expense has genuinely been 'incurred').

**Checklist**

The following may act as a checklist of possible accelerated expenditure:

- ☐ **Depreciating assets** – Non-SBEs that have an aggregated annual turnover of *less than* **$50 million** can claim an immediate deduction for eligible assets costing *less than* **$30,000** for any assets acquired and first used (or installed ready for use) from 7:30pm (AEDT) 2 April 2019 to before 12 March 2020.
  Non-SBEs that have an aggregated turnover of *less than* **$500 million** can claim an immediate deduction for eligible assets costing *less than* **$150,000** for any assets acquired from 7:30pm (AEDT) on 2 April 2019 and first used (or installed ready for use) from 12 March 2020 to 30 June 2020.
  Depreciating assets costing $100 or less can be written off in the year of purchase and depreciating assets costing *less than* $1,000 can be allocated to a low value pool and depreciated at 18.75% (which is half of the full rate of 37.5%) in their first year, regardless of the date of purchase.
  Finally, a **50% accelerated depreciation** concession may apply for new eligible assets that start to be held and used (or installed ready for use) from 12 March 2020 to 30 June 2021.

- ❑ **Repairs.**
- ❑ **Consumables/spare parts.**
- ❑ **Advertising.**
- ❑ **Fringe benefits** – any benefits to be provided, such as property benefits, could be purchased and provided prior to 1 July 2020.
- ❑ **Superannuation** – contributions to a complying superannuation fund, to the extent contributions are actually made (i.e., they cannot be accrued but must be *paid* by 30 June).

## Accrued expenditure

Non-SBE taxpayers (and many SBE taxpayers – refer below) are entitled to a deduction for expenses incurred as at 30 June 2020, even if they have not yet been paid.

The following expenses may be accrued:

- ◆ **Salary or wages and bonuses** – the accrued expense for the days that employees have worked but have not been paid as at 30 June 2020.
- ◆ **Interest** – any accrued interest outstanding on a business loan that has not been paid.
- ◆ **Commissions** – where employees or other external parties are owed commission payments.
- ◆ **Fringe benefits tax ('FBT')** – if an FBT instalment is due for the June 2020 quarter, for example, but not payable until July, it can be accrued and claimed as a tax deduction in the 2020 income year.
- ◆ **Directors' fees** – where a company is definitively committed to the payment of a director's fee as at 30 June 2020, it can be claimed as a tax deduction.

## Maximising deductions for SBE taxpayers

Deductions can be maximised for SBE business taxpayers by **accelerating expenditure** and **prepaying** deductible business expenses.

## Accelerating expenditure – SBE

In addition to accelerating other expenditure items, SBE taxpayers can choose to write-off depreciating assets costing *less than* **$30,000** (or potentially **$150,000**) in the year of purchase.*

Assets costing more than the relevant immediate asset write-off threshold are allocated to an SBE general pool and depreciated at **15%** (or potentially at **57.5%** for eligible new assets subject to the 50% accelerated depreciation concession) in their first year. Therefore, where appropriate, SBE business taxpayers should consider purchasing/installing these items by 30 June 2020.

*(*) The immediate asset write-off threshold was originally increased to 'less than $30,000', for eligible assets first used or installed ready for use between 7:30pm (AEDT) 2 April 2019 and 30 June 2020.*

*The threshold was subsequently increased to $150,000 for eligible assets first used or installed ready for use from 12 March 2020 to 30 June 2020 as a result of the Government's response to the COVID-19 pandemic.*

## Prepayment strategies – SBE

SBE taxpayers making prepayments before 1 July 2020 can choose to claim a full deduction in the year of payment where they cover a period of no more than 12 months (ending before 1 July 2020).

Otherwise, the prepayment rules are the same as for non-SBE taxpayers.

The kinds of expenses that may be prepaid include:

- ❑ **Rent** on business premises or equipment.
- ❑ **Lease payments** on business items such as cars and office equipment.
- ❑ **Interest** – check with your financier to determine if it's possible to prepay up to 12 months interest in advance.
- ❑ **Business trips.**
- ❑ **Training courses** that run on or after 1 July 2020.
- ❑ **Business subscriptions.**
- ❑ **Cleaning.**

## Information Required

This is some of the information we will need you to bring to help us prepare your income tax return:

- ❑ Stocktake details as at 30 June 2020.
- ❑ Debtors listing (including a list of bad debts written off) as at 30 June 2020.
  *Note: In order to claim a deduction, the debt must be written off on or before 30 June.*
- ❑ Creditors listing as at 30 June 2020.