CLIENT ALERT

SEPTEMBER 2021

Reminder of superannuation caps indexation for 2022

From 1 July 2021, the superannuation contributions caps have been indexed for the 2022 income year.

The new **concessional contributions cap** for the 2022 financial year is now **$27,500** (increased from $25,000).

The new **non-concessional (i.e., non-deductible) contributions cap** for the 2022 financial year is now **$110,000** or (where the 'bring forward' rules are applicable) **$330,000** over three years (increased from $100,000 or $300,000 respectively).

The **CGT cap amount** for the 2022 financial year is now **$1,615,000** (increased from $1,565,000).

Editor: The increase in the concessional contributions cap in particular will require those salary sacrificing additional superannuation to consider if they wish to increase their packaging arrangements so as to maximise the $2,500 increase in the cap.

Ref: ATO website, Key superannuation rates and thresholds: contributions caps, updated 6 July 2021

Division 7A benchmark interest rate for 2022 remains unchanged

The Division 7A benchmark interest rate for the 2022 income year remains unchanged from the 2021 rate of **4.52%**.

Ref: ATO website, Division 7A benchmark interest rate, 6 July 2021

Changes to STP reporting from 1 July 2021

Employers should have already been reporting through Single Touch Payroll ('STP') unless they only have closely held payees, or they are covered by a deferral or exemption.

From 1 July 2021, there have been changes to STP reporting for small employers with closely held payees and quarterly reporting for micro employers.

More specifically, for employers with closely held payees, employers must now report amounts paid to their closely held payees through STP.

They can choose to report such payments via one of three methods, being:

- ❑ actual payments each pay day;
- ❑ actual payments quarterly; or
- ❑ a reasonable estimate quarterly.

For micro employers reporting quarterly, the STP quarterly reporting concession is only available to micro employers who meet certain eligibility requirements (which now include the need for exceptional circumstances to exist).

Ref: ATO website, Changes to STP reporting from 1 July, 16 July 2021

Maximum contributions base for super guarantee

The maximum super contributions base is used to determine the limit on any individual employee's earnings base for superannuation guarantee purposes on a quarterly basis.

Employers do not have to provide the minimum quarterly support for earnings above this limit.

For the 2022 financial year, the maximum contributions base has increased to **$58,920** (up from $57,090).

Editor: This means once an employee earns over ***$235,680*** *during the 2022 income year, no additional superannuation guarantee will generally be required to be paid by an employer.*

Practically, this means that the maximum superannuation guarantee contribution that an employer must pay for the 2022 income year is 10% of $235,680 (or ***$23,568****).*

Ref: ATO website, Key superannuation rates and thresholds, Maximum super contribution base, updated 6 July 2021.

Taxable Payments Annual Reports ('TPARs') due 28 August

2021 TPARs are due to be lodged for businesses who have paid contractors to provide the following services:

- building and construction;
- cleaning;
- courier, delivery or road freight;
- information technology ('IT'); or
- security, surveillance or investigation.

With specific reference to the TPAR due on 28 August 2021, the ATO has reminded taxpayers they may need to report payments made to contractors during the 2021 income year for the first time.

This will particularly be the case where such payments were made for delivery services done on behalf of their business (i.e., perhaps as a result of a COVID-19 business 'pivot' during lock down periods).

Importantly, the ATO has reminded taxpayers that they already have the records needed to lodge a TPAR from preparing their relevant activity statements including the:

- contractor's name, address and ABN (if known); and
- total amounts for the income year of payments to each contractor (including GST) and tax withheld where the contractor did not quote their ABN.

Ref: ATO website, TPAR – check if you need to lodge, 12 July 2021

ATO warns property investors about common tax traps

In 2019/20, over 1.8 million Australians owned rental properties and claimed $38 billion in deductions, so the ATO is reminding property investors to beware of **common tax traps** that can delay refunds or lead to an audit costing taxpayers time and money.

The most common mistake rental property and holiday homeowners make is neglecting to declare all their income, including failing to declare any capital gains from selling an investment property.

Assistant Commissioner Tim Loh said: *"To put it simply, you should expect tax consequences for any property that you earn income from that isn't your main residence."*

"We are expanding the rental income data we receive directly from third-party sources such as sharing economy platforms, rental bond authorities, and property managers. We will contact taxpayers about income they've received but haven't included in their tax return. This will mean they need to repay some of their refund," Mr Loh said.

So far, the ATO has adjusted more than 70% of the 2019/20 returns selected for a review of rental information.

"Most people we contact about their rental deductions are able to justify their claims. However, there are instances where we have to knock back claims where taxpayers didn't keep receipts, claimed for personal use, or claimed for ineligible deductions," Mr Loh said.

Editor: We can help make sure you get your rental income and deductions right, including where rental income has been affected by COVID-19.

Div.293 concessional contribution assessments have been issued

The ATO has recently issued approximately 30,000 Division 293 assessments for the 2018/19 and 2019/20 financial years.

Editor: Division 293 tax is an additional tax on super contributions, which reduces the tax concession for individuals whose combined income and contributions are greater than the Division 293 threshold (currently $250,000).

Due to a system issue, concessional contributions reported for these financial years were not included in Division 293 assessments where that super account was also reported as closed during that financial year. This reporting issue was resolved in June 2021, and this has resulted in affected members receiving either an **initial** or **amended** Division 293 assessment.