2022-2023 Budget Measures that are now law

Low and Middle Income Tax Offset

A measure that will no doubt be beneficial for individual taxpayers is the increase in the Low and Middle Income Tax Offset ('LMITO') for the 2022 income year by $420. The LMITO is a tax offset which reduces an individual taxpayer's tax liability.

This means that the maximum amount of the LMITO for the 2022 income year will now be $1,500 (up from $1,080 for the 2021 income year).

However, the LMITO will not be extended to the 2023 income year.

Reduction in Fuel Excise

Fuel excise on petrol and diesel will be reduced by 50% (a reduction of 22.1 cents per litre) from 30 March 2022 to 28 September 2022.

This temporary reduction in the fuel excise is to soften the impact of increased petrol and diesel prices that have been triggered by Russia's invasion of Ukraine.

Tax deductions for work-related COVID-19 tests

Last month's edition of Practice Update discussed a proposal for COVID-19 tests, to be both:

- tax-deductible; and
- exempt from FBT;

broadly where they are purchased for work-related purposes.

This proposed legislative change is now law with effect from 1 July 2021.

Cents per kilometre deduction for car expenses – 2023 income year

The ATO has proposed for individual taxpayers that use the cents per kilometre method when calculating tax deductions for their work-related car expenses, that the rate per kilometre for the income year starting 1 July 2022 (the 2023 income year) will be 75 cents per kilometre.

This is an increase from the 72 cents rate applicable for both the 2021 and 2022 income years.

A reminder that the ability to claim a deduction under the cents per kilometre method is subject to a cap of 5,000 business kilometres annually.

Individual taxpayers will claim deductions for work-related car expenses (where eligible) under one of two alternative methods: the log-book method or the cents per kilometre method.

Many taxpayers find that they are not able to use the log-book method as they have not maintained a valid 12-week logbook in the last five years.

Re-contribution of COVID-19 early release super amounts

Individuals can now re-contribute amounts they withdrew under the COVID-19 early release of super program without the re-contribution counting towards their non-concessional contributions cap.

These contributions can be made between 1 July 2021 and 30 June 2030.

Individuals can make COVID-19 re-contribution amounts to any fund of their choice where the funds' rules allow.

COVID-19 re-contribution amounts are reported as personal contributions. If the fund member is found to be ineligible to make the re-contribution (for example, the fund member may be required to satisfy the work test and does not do so at the time of a re-contribution) it may result in that member exceeding their non-concessional contributions cap.

It should be noted that once an amount originally withdrawn under the COVID-19 early release of super program has been re-contributed into a superannuation fund, it will not be able to be released from that fund until the fund member satisfies a condition of release – such as obtaining the age of 65 or having met their preservation age and they have 'retired'.

Penalties for overdue TPAR

The *Taxable payments annual report* ('TPAR') must be lodged by 28 August each year. Taxpayers who operate in certain industries and that make payments to contractors may need to report these payments in a TPAR.

Affected industries where taxpayers may have an obligation to lodge a TPAR are:

- Cleaning services;
- Building and construction services;
- Road freight;
- Courier services;
- Information technology services;
- Security, investigation or surveillance services.

From 23 March 2022, the ATO will apply failure to lodge penalties to those who:

- did not lodge their 2021 or prior year TPAR;
- have already been sent three non-lodgment letters about their overdue TPAR;
- do not respond to an ATO follow-up phone call about their overdue TPAR.

Disclosure of business tax debts

The ATO is in the process of writing to taxpayers that may be eligible to have their tax debts disclosed to credit reporting bureaus ('CRBs').

The ATO can potentially report outstanding tax debts to a CRB where the following criteria are satisfied:

- The taxpayer has an Australian business number and is not an excluded entity;
- The taxpayer has one or more tax debts and at least $100,000 is overdue by more than 90 days;
- The taxpayer is not engaging with the ATO to manage their tax debt; and
- The taxpayer does not have an active complaint with the Inspector-General of Taxation about the ATO's intent to report its tax debt information.

Excluded entities are a deductible gift recipient, a complying superannuation fund, a registered charity and a government entity.

The purpose of this letter from the ATO is to raise awareness of the actions that the ATO can now take under the Disclosure of Business Tax Debts measure.

This letter from the ATO provides business taxpayers with information on how to effectively engage with the ATO to manage their tax debt.

Taxpayers can avoid disclosure to a CRB by making payment in full or negotiating a payment plan.

It is crucial for taxpayers to engage with the ATO early before their debts become unmanageable.

ATO priorities this tax time

The ATO has announced four key areas that it will be focusing on for Tax Time 2022:

- Record-keeping.
- Work-related expenses.
- Rental property income and deductions.
- Capital gains from crypto assets, property, and shares.

Before claiming income tax deductions for their expenses, taxpayers must ensure:

- they spent the money themselves and were not reimbursed;
- if an expense is for both income-producing and private use, only the portion relating to producing income is claimed; and
- they have a record to prove it.

Reminder of March 2022 Quarter Superannuation Guarantee ('SG')

Employers are reminded that their SG obligations for the 1 January 2022 to 31 March 2022 quarter were due by 28 April 2022.

An advance warning is also provided to employers that the compulsory 10% SG rate is going to increase to 10.5% from the period 1 July 2022 to 30 June 2023.

So now might be a good time to ensure your payroll systems and SG calculators are updated by the start of the next income year.

Avoid double dipping on your deductions

Taxpayers are reminded not to make the mistake of 'double dipping' on deductions (that is, claiming expenses twice) in their tax return this year.

Some of the 'double dipping' mistakes commonly made relate to the following deductions:

- Working from home expenses

A common mistake involves using the 'shortcut method' to claim working from home expenses and then claiming additional amounts for expenses such as mobile phone and internet bills, as well as the decline in value of equipment and furniture.

The working from home shortcut method is all-inclusive.

There are three methods available to claim a deduction for working from home expenses depending on individual circumstances; namely, the shortcut, fixed rate and actual cost methods.

The method that gives the best outcome can be used, as long as the eligibility and record-keeping requirements for the chosen method are observed.

- Car expenses

A common mistake involves using the 'cents per kilometre' method to claim car expenses, and then double dipping by separately claiming expenses such as fuel, car insurance, and registration.

The cents per kilometre rate is all-inclusive and already covers decline in value, registration, insurance, maintenance, repairs, and fuel costs.

- Reimbursed expenses

Taxpayers cannot claim expenses that have already been reimbursed by their employer.

Get ready for super changes from 1 July 2022

As the new financial year approaches, employers need to be aware of two important super changes.

From 1 July 2022, employees can be eligible for super guarantee ('SG'), regardless of how much they earn, because the $450 per month eligibility threshold for when SG is paid has been removed.

Employers only need to pay super for workers under 18, when they work more than 30 hours in a week.

Furthermore, the SG rate will increase from 10% to 10.5% on 1 July 2022. Employers will need to use the new rate to calculate super on payments made to employees on or after 1 July, even if some or all of the pay period is for work done before 1 July.

Employers should update their payroll and accounting systems to ensure they continue to pay the right amount of super for their employees.

ATO warns about GST fraud

Taxpayers are being warned to be on the lookout for dodgy online ads, often on social media platforms, promising easy GST refunds.

The ATO recently issued a media release about large-scale GST fraud attempts exceeding $850 million, that involve customers setting up an ABN without operating a business, and then submitting fictitious BAS statements to get a GST refund.

The ATO said it has already successfully stopped $770 million in attempted fraud before payment.

Taxpayers who think they've been involved in this arrangement are urged to let the ATO know (before the ATO contacts them) by calling 1300 130 017.

Confidential reports of suspected tax evasion or crime can be made online (visit ato.gov.au/tipoff) or by calling the ATO's Tax Integrity Centre on 1800 060 062.

Employers need to prepare for changes under STP expansion

Single Touch Payroll ('STP') reporting has been expanded.

This expansion, known as 'STP Phase 2', means that employers will need to start reporting extra information to the ATO each time they run their payroll.

Some digital service providers ('DSPs') needed more time to update their products and applied for deferrals, which cover their customers – therefore, when an employer can start Phase 2 reporting depends on when their payroll product is ready.

Employers that have not already started Phase 2 reporting should ask their DSP when their product will be ready (if they don't already know).

Employers need to be across the changes and get ready to start Phase 2 reporting. This includes:

- checking if changes need to be made to payroll pay codes/categories so they align with Phase 2 requirements;
- reviewing allowances employers pay and how they need to be reported in Phase 2;
- understanding changes to salary sacrifice reporting; and
- understanding how to assign an income type to each payment.

The ATO is also reminding employers that amounts paid to 'closely held payees' should now be reported through STP.

A ‘closely held payee’ is an individual directly related to the entity they receive payments from. For example, family members of a family business, directors or shareholders of a company and beneficiaries of a trust.

There are concessional reporting options for closely held payees reporting which include the following:

- Reporting actual payments on or before the date of payment (along with arm's length employees).
- Reporting actual payments quarterly.
- Reporting a reasonable estimate quarterly.

Editor: Should you have any questions (or require any assistance) about any of the issues raised in this update, please feel free to contact our office.