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CHARTERED ACCOUNTANTS

Practice Update

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and contact this office
if you have any queries

April / May 2020

Coronavirus: Government's JobKeeper Payment

A major part of the Government's response to the Coronavirus (or 'COVID-19') pandemic is the 'JobKeeper Payment' Scheme.

The JobKeeper Payment is a wage subsidy that will be paid through the tax system (i.e., it will be administered by the ATO) to eligible businesses impacted by COVID-19.

Under the scheme, eligible businesses will receive a payment of $1,500 per fortnight per eligible employee and/or for one eligible business participant (i.e., an eligible sole trader, partner, company director or shareholder, or trust beneficiary).

The subsidy will be paid for a maximum period of six months (i.e., from 30 March 2020 up until 27 September 2020). It will be paid to eligible businesses monthly in arrears, with the first payments to employers commencing from the first week of May 2020.

The JobKeeper Payment will ensure that eligible employees (and, where applicable, eligible business participants) receive a gross payment (i.e., before tax) of at least $1,500 per fortnight for the duration of the scheme.

An employer will only be eligible to receive a JobKeeper Payment in respect of an 'eligible employee' if, at the time of applying:

- ❑ for employers with an aggregated annual turnover of $1 billion or less - the employer estimates that their projected GST turnover has fallen (or is likely to fall) by 30% or more; or
- ❑ for employers with an aggregated annual turnover of more than $1 billion - the employer estimates that their projected GST turnover has fallen (or is likely to fall) by 50% or more; and
- ❑ the employer is not specifically excluded from the scheme (e.g., one that is subject to the Major Bank Levy, one that is in liquidation, etc.).

For an employer that is registered as a charity with the Australian Charities and Not-for-Profits Commission (excluding universities and non-government schools registered as charities, which are subject to the 30% or 50% decline in turnover tests, as outlined above), a 15% decline in turnover test applies.

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). Treasury has indicated that, for most businesses, the ATO will use Single Touch Payroll ('STP') to pre-populate these details.
- ❑ 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.

The ATO has available on its website an online form which can be used by employers to register their interest in the JobKeeper Payment Scheme.

Editor: Please contact our office If you have any queries in relation to the JobKeeper Scheme.

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.

Editor: Please contact our office if you need more information about this deduction.

ATO reminder about salary packaged super

The ATO has provided employers with a recent reminder that, from 1 January 2020, there has been a legislative change to ensure that when an employee sacrifices pre-tax salary in return for an additional concessional contribution into superannuation, it will not result in a reduction in the 9.5% Superannuation Guarantee ('SG') obligation their employer has even though doing so reduced their Ordinary Time Earnings.

The ATO has provided information for employers, payroll software providers and intermediaries who may need to change the way they calculate SG.

The ATO advises that, from 1 January 2020, you calculate the minimum amount of SG on the employee's 'OTE base'. This is the sum of the employee's OTE and any OTE amounts they sacrifice in return for super contributions.

Additionally, super contributions to an employee's fund under an effective salary sacrifice arrangement no longer count towards an employer' super guarantee obligations.

Editor: If your business allows for salary sacrifice arrangements, feel free to contact our office to ensure that you are calculating SG correctly.

New laws can make directors personally liable for GST

The government recently passed new legislation designed to strengthen laws to *"crack down on illegal phoenixing activity by dodgy business operators who try to avoid their obligations to their customers, employees and creditors."*

In particular, the changes allow the ATO to collect estimates of anticipated GST liabilities, and make company directors **personally liable** for their company's GST liabilities in certain circumstances (basically by including these liabilities in the director penalty notice regime).

Importantly, the expansion of the director penalty notice regime to include GST liabilities will commence from 1 April 2020.

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.

Employers who have already disclosed unpaid SGC to the ATO between 24 May 2018 and 6 March 2020 don't need to apply or lodge again.

Employers who come forward from 6 March 2020 need to apply for the amnesty.

The ATO will continue to conduct reviews and audits to identify employers not paying their employees SG.

New vacant land tax measures

A new 'vacant land' measure limits the deductibility of costs incurred on or after 1 July 2019 (i.e., from the 2020 income year) that relate to holding vacant land, even if the land in question was first held before that date.

Importantly, however, the new provisions include (amongst other exceptions) a **'carrying on a business'** exception. This exception means that the limitations will not apply to the extent that the 'vacant land' is used, or available for use in carrying on a business, including a business carried on by either the taxpayer (i.e., the owner of the land) or by a specified related entity.

Further, an additional business exception also applies where 'vacant land' is leased at arm's length for use in any business (i.e., not just a business of the taxpayer or of a related entity).

In addition, land is considered to be "available for use" if it is held for future use in a business currently carried on by the taxpayer or is made available to a specified related entity for future use in a business that entity currently carries on.

ATO on property investments

The ATO has reminded taxpayers in a property business or thinking about investing in property that there are things they should know, such as:

- they need a clearance certificate from the supplier when buying property over $750,000;
- they may have to pay the GST on the sale of brand new residential property separately to the ATO; and
- income from property activities could increase their total business turnover.

The ATO says taxpayers with property should keep accurate and complete records where they:

- ❑ rent it out as a residential property (even short-term through the sharing economy);
- ❑ flip houses; and/or
- ❑ build a new house to sell for a profit.

In addition, when it's time to lodge, taxpayers should remember:

- Some expenses need to be claimed over time.
- It is only possible to claim expenses for:
  - periods when the property is genuinely available for rent; and
  - travel related to renting property, if the taxpayer is in the business of letting properties.