# MTS

MY TAX SAVERS

***MORE GOVERNMENT STIMULUS FOR BUSINESS***

**JOBKEEPER** – YOUR QUESTIONS ANSWERED

**PRACTICAL TAX TIPS**

MAXIMISING WORK FROM HOME DEDUCTIONS

**...AND MORE!**

MyTaxSavers
JULY/AUG
2020

ISSN 2651-8627

# Index


03
## KEY DATES
Many deadlines are imminent over the next couple of months.

04
## ADDITIONAL CASHFLOW BOOST... ON ITS WAY
What do businesses need to do to access this additional Government stimulus payment?

06
## BAD DEBTS
In these tough economic times, when can you write-off a bad debt to claim it as a deduction?

09
## MAXIMISING YOUR WORK FROM HOME TAX CLAIM
With many people working from home due to the COVID-19 lockdown, we look at how to maximise your deductions.

11
## TAX TIPS
From claiming annual general meeting expenses to renting out the family home, this article contains a range of tax tips for business and individuals.



***Print Post Approved 100019425***

Published by ***My Tax Savers***, P.O.Box 2255 Southport BC 4215 Email: info@mytaxsavers.com.au **Phone: 1800 SAVETAX**
Web: www.mytaxsavers.com.au. My Tax Savers is a trading name of My Tax Savers Pty Ltd ABN 85 059 305 976.

MyTaxSavers

## 16

## COVID-19 & *EARLY ACCESS TO SUPER*

Are you able to access your super early due to COVID-19? We also detail other circumstances which may qualify for early access.

## 14

## ACCOUNTING FOR COVID-19 INCENTIVES

We look at the tax and accounting treatment of the cashflow boost, JobKeeper payments, and the wage subsidy for apprentices.

## 18

## JOBKEEPER – YOUR *QUESTIONS ANSWERED*

We answer some common burning questions from employers.

## 21

## *SUPER OPPORTUNITIES* FOR OLDER AUSTRALIANS

From 1 July 2020, older Australians may become eligible to employ a range of superannuation contribution strategies.



**GENERAL ADVICE WARNING:** The information contained in this publication is general information only. Any advice, if any, is general advice only. Your objectives, financial situation or needs have not been taken into consideration. You should consider if this information is suitable for your needs and seek the advice of relevant taxation, superannuation and/or other relevant advisers before any financial product information is acted on.

**COPYRIGHT:** This newsletter has been written and designed for My Tax Savers Pty Ltd. No part of this publication that is covered by copyright may be reproduced without the express permission of My Tax Savers Pty Ltd.

Many lodgement and payment deadlines are looming for business including those relating to Activity Statements, superannuation, and more.

### 1 JULY
First day of the 2020/2021 financial year

### 21 JULY
Monthly Activity Statements (June 2020) due for lodgement and payment

### 28 JULY
Quarterly Activity Statements (April-June) due for lodgement and payment (if lodging by paper)

### 28 JULY
Superannuation Guarantee Contributions (April-June) due for payment to superannuation funds or Clearing Houses

## AUGUST 2020

### 11 AUGUST
Quarterly Activity Statements (April-June) due for lodgement and payment (if lodging electronically)

### 21 AUGUST
Monthly Activity Statements (July 2020) due for lodgement and payment

### 21 AUGUST
Final day for eligible monthly GST reporters to elect to report annually

### 28 AUGUST
2020/2021 *Contractor Taxable Payments Annual Reports* – due for lodgement the instalment amount, lodgement

*Where one of these dates falls on a weekend or a public holiday, the due date is extended to the next business day*

# ADDITIONAL CASHFLOW BOOST...ON ITS WAY

***With most businesses having received their initial cashflow boost, more is on the way with an additional cashflow boost due in the coming months. We look at the amount of the boost and what is required from business owners to access it.***

## BACKGROUND

On 12 March the Government announced an economic stimulus package in response to the novel coronavirus COVID-19. A major plank of that package was boosting cashflow for employers with a PAYGW credit of up to $50,000 based on a business's PAYG withholding.

Specifically, businesses with employees which have an aggregated turnover of less than $50 million will be eligible. Those businesses which withhold tax on employee salary and wages will receive a credit equal to 50% of the amount withheld up to a maximum of $50,000. Those businesses with employees but have not been required to withhold tax from salary and wages will nevertheless receive a minimum payment of $20,000. This may apply for example to businesses whose employees all earn under the tax-free threshold, or where firms consisting solely of directors have not paid those directors salary or director's fees during the relevant period (they may have just paid dividends instead).

This new cashflow boost will be delivered by the ATO by way of a credit to the business upon lodgement of upcoming Activity Statements and will depend on a business's lodgement cycle as follows:

- quarterly lodgers will receive the credit for the quarters ending March 2020 and June 2020
- monthly lodgers will receive the credit for the March 2020, April 2020, May 2020, and June 2020 lodgements. To best mimic the treatment of quarterly lodgers, the credit for monthly lodgers will be calculated at three-times the rate (150%) in the March 2020 Activity Statement.

Irrespective of lodgement cycle, the minimum credit will be applied to the business's first lodgement.

Where the credit places businesses in a refund position for that Activity Statement, the ATO will deliver the refund within 14 days of lodgement.

## ADDITIONAL BOOST

An additional credit is also being delivered from 28 July 2020. Eligible entities will receive an additional credit equal to the total of all of the Boosting Cash Flow for Employers payments received. The credits are tax-free, there will be no new forms and payments will flow automatically from the ATO.

### TIMING

Eligible entities who received initial cash flow boosts will receive additional cash flow boosts when you lodge your activity statements for each monthly or quarterly period from June to September 2020. These will be delivered in either two or four instalments, depending on your reporting period (lodgement cycle). The amounts will be equal to the total amount of initial cash flow boosts received by the business earlier in the year.

In terms of the date it will actually be received:

**Quarterly lodgers** – will receive 50% of your total initial cash flow boosts for each activity statement. You will be eligible to receive the credit for:

- quarter 4 (April, May and June 2020). Lodgment due date is 28 July 2020.
- quarter 1 (July, August and September 2020). Lodgment due date 28 October 2020.

**Monthly lodgers** – will receive 25% of your total initial cash flow boosts for each activity statement. You will be eligible to receive the credit for

- June 2020. Lodgment due date 21 July 2020.
- July 2020. Lodgment due date 21 August 2020.
- August 2020. Lodgment due date 21 September 2020.
- September 2020. Lodgment due date 21 October 2020.

Key therefore to receiving your additional cashflow boost is lodging upcoming Activity Statements.

### ATO EXAMPLE – QUATERLY LODGER

Tim received initial cash flow boosts of $10,000. When Tim lodges his June and September 2020 quarterly activity statements, he will receive additional cash flow boosts as follows:

- $5,000 for quarter ended June 2020
- $5,000 for quarter ended September 2020.

### ATO EXAMPLE – MONTHLY LODGER

Sarah received the maximum initial cash flow boost of $50,000. When Sarah lodges her June to September 2020 activity statements she will receive additional cash flow boots as follows:

- June 2020 – $12,500
- July 2020 – $12,500
- August 2020 – $12,500
- September 2020 – $12,500.

### ATO EXAMPLE – WITHHOLDING IN DECLINE

Mary has employees and withholds from their wages. She is eligible to receive the cash flow boost. When she lodges her quarterly activity statements she reports withholding as follows:

- March 2020 – $12,000
- June 2020 – $2,000
- September 2020 – $0.

When she lodges her activity statements, Mary will receive cash flow boost credits of:

- March 2020 – $12,000 from the initial cash flow boost
- June 2020 – $2,000 from the initial cash flow boost plus $7,000 from the additional cash flow boost
- September 2020 – $7,000 from the additional cash flow boost.

# BAD DEBTS

*With the economy tipped to be heading towards the first recession since the 1990s, businesses will no doubt experience problems being paid - with an increasing number of doubtful debts needing to be "written-off". As a business owner, it's essential to have a working understanding of this area, as you may need to decide when a debt should be written off, as well as attending to the GST consequences of doing so.*

## INTRODUCTION

A potentially uncollectable amount is called a 'bad debt' and is recognised as an expense in a business's Profit and Loss Statement. In order to determine the true financial position of a business, it is important that business's review their Accounts Receivable (usually each month) to determine whether a debt is likely to become 'bad'. From an ATO perspective, a debt must be 'bad' before a tax deduction can be claimed or any GST inherent in the original invoice can be refunded.

## WHEN IS A DEBT 'BAD'?

When a debt actually becomes 'bad' and needs to be written-off can be an objective determination such as where:

a. The debtor has died leaving no, or insufficient, assets out of which the debt may be satisfied
b. The debtor cannot be traced and the creditor has been unable to ascertain the existence of, or whereabouts of, any assets against which action could be taken
c. Where the debt has become statute barred and the debtor is relying on this defence (or it is reasonable to assume that the debtor will do so) for non-payment
d. If the debtor is a company, it is in liquidation or receivership and there are insufficient funds to pay the whole debt, or the part claimed as a bad debt

In the absence of these objective external factors, the time at which a debt becomes 'bad' is a commercial decision by the business owner where they determine, on a reasonable view of all the facts or on the probabilities existing at the time, that there is little or no likelihood of the debt or the part of the debt being recovered. They would typically come to this conclusion after taking steps to recover the debt. These steps and considerations would vary depending on the resources available to the business and the size of the debt but may include:

i. Reminder notices, telephone calls/emails/mail contact
ii. A reasonable period of time has elapsed since the original due date for payment of the debt. This will of necessity vary depending upon the amount of the debt outstanding and the credit arrangements (e.g. 90, 120 or 150 days overdue)
iii. Formal serving of demand notice
iv. Issue of, and service of, a summons
v. Judgment entered against the delinquent debtor
vi. Execution proceedings to enforce judgment
vii. The calculation and charging of interest is ceased and the account is closed, (a tracing file may be kept open; also, in the case of a partial debt write-off, the account may remain open
viii. Valuation of any security held against the debt
ix. Sale of any seized or repossessed assets.

Before making the subjective judgement to write-off the debt as 'bad', you should consult with your accountant

## HOW IS A DEBT WRITTEN OFF?

If you are accounting on a cash basis for accounting/income tax purposes, income is recognised in the accounting system only when it is received into the business's bank account. Therefore, there is no adjustment necessary for a bad debt as it has not been included in the business's income to date. Likewise, if you account for GST on a cash basis, there are no GST consequences in respect of bad debts. This is because GST is only accounted for once payment is received. Therefore, there has been no overpayment of GST to the ATO; none was paid in respect of the original invoice, therefore none is claimable as a consequence of the write off.

In the more likely event that you account on an accruals basis, the income and GST is recognised in your accounting system when it is invoiced. Therefore, the bad debt will need to be extracted from the Trade Debtors or Accounts Receivable and recognised as an expense in the Profit and Loss Statement of the business. To achieve this will depend on whether there has been a previous provision for doubtful debts raised for the debtor. If there is no provision, then the receivable is written-off to a Bad Debts Expense account and where doubtful debts are provided for, to the Provision for Doubtful Debts account.

### EXAMPLE

You notify your accountant on 10 August confirming that due to financial problems a $9,000 debt that is owed is unable to be repaid. This follows repeated reminder notices, a formal letter of demand from your lawyer, and outsourcing the debt to a collection agency. At this time, in consultation with your accountant, the decision is made to write-off the debt. You would physically write-off the debt with the following posting:

**The debt is simply being written off:**

| Account | Tax Code | Debit | Credit |
|---|---|---|---|
| Bad Debts Expense | N-T | 9000 | |
| Accounts receivable | N-T | | 9000 |

At this point, businesses accounting on accruals are entitled to claim the GST credit back from the ATO by way of an decreasing adjustment as they remitted 1/11th of $9 000 GST to the ATO in the tax period in which the original sale was made.

The following separate posting would be made recording the GST consequences of writing-off the bad debt:

| Account | Tax Code | Debit | Credit |
|---|---|---|---|
| GST Adjustments | GST | 818 | |
| Bad or Doubtful Debts expense | GST | | 818 |

## RECOVERY

In rare cases, an amount that has been formally written-off as a bad debt may be collected either in part or in full. Where this occurs, you must not only record the receipt of this amount, but reinstate the income or part thereof. Where the repayment relates to a taxable supply, the Bad Debts Recovered account should be re-credited as income for 10/11th of the amount paid; with the remainder credited to a GST Payable account.

Following on from the earlier example, on 3 October the business unexpectedly receives a payment of $500. The following posting recognises this income amount:

| Account | Tax Code | Debit | Credit |
|---|---|---|---|
| Accounts receivable | N-T | 500 | |
| Bad debts recovered | GST | | 455 |
| GST payable | GST | | 45 |

## ADJUSTMENTS AND ACTIVITY STATEMENTS

If you account for GST on a cash basis, there are no Activity Statement-related consequences in respect of bad debts. This is because GST is only accounted for once payment is received. Therefore, there can be no overpayment of GST to the ATO at first instance.

By contrast, in the more common case where you account for GST on an accruals basis, you may be required to account for GST on taxable goods and services you have provided before you actually receive payment for them. Where the bad debt is not paid or only paid in part, this may result in overpaying GST to the ATO. Where this is the case, a decreasing adjustment will need to be made – reducing the amount of GST for the period. The decreasing adjustment will made in the earlier of:

- The tax period in which the debt is written-off as bad, or
- The tax period where the amount has been due for 12 months or more irrespective of whether it has been written-off as a bad debt.

The amount of the adjustment will usually be 1/11th of the amount written-off (except in the case of partial adjustments – see later).

The decreasing adjustment amount is recorded at **G18** on the *GST Calculation Worksheet* which ultimately feeds into label **1B** of the BAS.

### EXAMPLE

Following on from the example, the decreasing adjustment will be made in the tax period that the debt was written-off (September quarter) or the tax period in which the debt was overdue for 12 months – whichever period is earlier. The amount of the adjustment will be $818 (1/11th of $9 000).

Where the amount is later recovered after being written-off and after a decreasing adjustment has been made, a subsequent increasing adjustment will need to be made on the BAS in the period that the amount is received. The GST amount will simply be 1/11th of the recovered amount as per the following example. Increasing adjustments are made at **G7** on the *GST Calculation Worksheet* which ultimately feeds into label **1A** on the BAS.

### EXAMPLE

Following on from the example, the increasing adjustment will be made in the December quarterly BAS. The amount of the adjustment will be $45.

## TAKE-HOME MESSAGES

- ✔ Have clear debt collection procedures in place
- ✔ Have a person within the business assigned to follow these procedures
- ✔ Consult with the accountant to determine when a debt is 'bad' and should be written-off
- ✔ Monitor the 12-month deadline for GST adjustment purposes
- ✔ Be on watch for any repayment of the 'bad' debt which may in turn require increasing adjustments on the BAS.

# MAXIMISING YOUR WORK FROM HOME TAX CLAIM

*The COVID-19 restrictions have seen a significant proportion of society working from home and, for some people, it has been their first time doing so.*

*While the focus of work-from-home arrangements has rightfully been about how to make them safe and effective (and in many cases, how best to juggle other challenges such as home schooling), it is also good to know that from a tax perspective, there are some worthwhile claims that are available.*

## THE RULES

If you are an employee working from home you may be entitled to claim running expenses such as those listed in the table below.

For business owners, if your home is your place of business and you have an area that is set aside exclusively for business activities (it may have signage, client meeting area etc. as well as your computing equipment, and other office furniture) and is not used for private purposes you may be able to claim both running and occupancy expenses.

Alternatively, if you conduct work from home but do not have a dedicated area set aside exclusively for work purposes (e.g. just a spare room which your family treats as a computer room or you work from the lounge room for instance) you are further restricted in the deductions you can claim as per the belowATO table.

| WHAT YOU CAN CLAIM | HOW YOU OPERATE YOUR BUSINESS | | |
|---|---|---|---|
| | **Home is your place of business and you have a dedicated home-work area** | **Home is not your place of business but you have a dedicated home-work area from where you undertake some work** | **You work at home but don't have a dedicated home-work area** |
| **Occupancy Expenses** (such as mortgage interest, rent, house insurance, rates etc.) | Yes | No | No |
| Running Expenses | | | |
| • Electricity and gas | Yes | Yes | Yes |
| • Business phone costs (including phone calls and phone rental) | Yes | Yes | Yes |
| • Work-related internet costs | Yes | Yes | Yes |
| • Decline in value of office plant and equipment (such as laptop, desks, chairs etc.) | Yes | Yes | Yes |
| • Depreciation of curtains, carpets, light fittings | Yes | Yes | No |

## HOME AS YOUR PLACE OF BUSINESS

The indicators used by the ATO of your home being a "place of business" are fairly arduous. You would need to show that there is an absence of an alternative place for conducting income producing activities and that the area was set aside exclusively for business purposes. In the contracting realm, this would tend to mean that you would need to evidence that most, if not all, of the work performed by you under your engagements was performed at home rather than at the client's premises or commercial premises.

## HOW TO CLAIM RUNNING EXPENSES

In respect of running expenses, there are basically three methods of claiming:

### METHOD 1 – THE SHORTCUT METHOD.

This method is only available for the period from 1 March 2020 to 30 June 2020 (unless the ATO decide to extend this time frame). Under this method, you claim a flat rate of 80 cents per work hour which is said to cover all running expenses.

### METHOD 2 – THE FIXED RATE METHOD.

Under this method, you claim all of these:

- a rate of 52 cents per work hour to cover heating, cooling, lighting, cleaning and depreciation of office furniture;
- the work-related portion of your actual phone and internet expenses, computer consumables, stationery, etc.;
- the work-related portion of depreciation on a computer, laptop or similar device.

### METHOD 3 – THE ACTUAL COST METHOD.

Under this method, you claim the actual work-related portion of all your running expenses.

Indeed it may be the case that you use more than one method during the 2019/20 financial year. For example, you could choose Methods 2 or 3 for the period July through February, and then choose Method 1 for the period March through June.

## HOW TO CLAIM OCCUPANCY EXPENSES

In respect of occupancy expenses, your claim will need to be based on a percentage that reflects the portion of your house that can be reasonably be attributed to the home-based business.

That percentage is then multiplied by the actual occupancy expenses to arrive at your tax claim.

## RECORD-KEEPING REQUIREMENTS FOR RUNNING EXPENSES

If you are using the **shortcut method**, a record can be kept of your hours worked from home, or a diary kept for at least four representative weeks to record the amount of time your home is used for work purposes.

By way of illustration, if as a result of COVID-19, 30 hours of your working week is conducted at home for 10 weeks between 1 March 2020 and 30 June 2020, $240 can be claimed as a deduction (30 x 10 x $0.80) under this method.

If you are using the **fixed-rate method**, then:

- in terms of the component of this method that provides a 52 cents per work hour claim to cover heating, cooling, lighting, cleaning and depreciation of office furniture, then once again a diary should be maintained for at least four representative weeks to record the amount of time that your home is used for work purposes; and
- in terms of the component of this method that provides a claim for the work-related portion of various other costs, records should be maintained to reasonably demonstrate how you have arrived at your work portion.

If you are using the actual cost method, then like the second component of the fixed-rate method, records should be maintained to reasonably demonstrate how you have arrived at your work portion.

There is an administrative short-cut when dealing with mobile phone usage, with a standard $50 fixed deduction per year being allowed. Otherwise, an apportioned deduction based on actual expenses is required. Again, this can be quite involved, requiring a diary to be kept for a representative four-week period.

## RECORD-KEEPING FOR OCCUPANCY EXPENSES

As mentioned earlier, your claim will need to be based on a percentage that reflects the portion of your house that can be reasonably be attributed to the home-based business.

A detailed explanation of the basis of apportionment (such as floor space used for work purposes relative to total floor space in the house) should be kept with your records.

It should also be noted that if you do claim occupancy costs, upon the eventual disposal of your home, the capital gains tax exemption that normally applies to the sale of one's own home will be affected. The portion of your home that is designated as a home-based business coupled with the period of ownership where that has been the case will be used to determine the percentage of any capital gain that will be taxable (as opposed to being exempt).

*This article contains a range of tax tips for individuals and business.*

## INCOME TAX - ANNUAL GENERAL MEETINGS

The new financial year brings with it the inevitable round of Annual General Meetings. The costs of attending an Annual General Meeting may be deductible against investment income.

The costs associated with the claim must be incidental to the management of an existing investment and must be reasonable given the amount invested in a particular company.

## CAPITAL GAINS TAX – INTEREST COSTS AND VACANT LAND

Interest costs on vacant land held for long term capital gain will normally not be tax deductible. An often forgotten concession, however, is that these interest costs could be taken into account in calculating the cost base of the property which subsequently reduces any capital gain when the property is later sold.

To access the concession, the property must have been acquired after 20 August 1991.

### EXAMPLE

Paul and David acquired identical but separate blocks of land in a residential housing estate. Paul and David both held the land as an investment, hoping it would appreciate over time and provide them with a substantial capital gain.

Both blocks were acquired for the same purchase price of $315 000, although David acquired his block on 17 August 1991 whilst Paul acquired his block on 21 August 1991. Both David and Paul financed the full value of their blocks at the time of purchase and have each incurred interest costs to the date of sale of $44 100.

On sale of their respective blocks of land, David achieved a sale price of $410 000 whilst Paul achieved a slightly higher price of $422 000. Both taxpayers incurred incidental costs on sale of commission, legals etc of $10 000. Both taxpayers pay tax at the highest marginal rate.

Ignoring the 50% CGT discount, if we were to calculate the pure capital gain on each of the properties the answer would be:

| | Paul | David |
|---|---|---|
| Purchase Price of Land | 315 00 | 315 000 |
| Add Interest Cost | 44 100 | NIL |
| Cost Base of Property | 359 100 | 315 000 |
| Sale Proceeds | 422 000 | 410 000 |
| Less Sale Costs | 10 000 | 10 000 |
| Net Sale Proceeds | 412 000 | 400 000 |
| **Capital Gain (ignoring 50% discount)** | | |
| Net Sale Proceeds | 412 000 | 400 000 |
| Less Cost Base of Property | 359 100 | 315 000 |
| Capital Gain | 52 900 | 85 000 |

You can therefore see that even though Paul achieved a higher sale price for his block of land, the fact he was entitled to add his interest costs onto his cost base has ultimately resulted in a smaller capital gain.

## CAPITAL GAINS TAX - MOVING FROM ONE MAIN RESIDENCE TO ANOTHER

In broad terms, you can generally disregard a capital gain or capital loss from a capital gains tax (CGT) event that happens to a dwelling that is your main residence (e.g your home). But what of the situation where you acquire a new home before you sell the old one?

Provided that three conditions are satisfied both dwellings are treated as your main residence, and thus exempt from CGT, for up to six months. The three conditions are:

1. the old dwelling was your main residence for a continuous period of at least three months in the twelve months before it was sold;
2. during the twelve months prior to the old dwelling's sale, you did not use the dwelling to produce assessable income in any period where it was not your main residence; and
3. the new dwelling becomes your main residence.

If it takes longer than six months to dispose of your old home, only a partial exemption will apply to your old home. Of the total period of ownership of your old home, only the days prior to acquiring your new home and the last six months of common ownership will be exempt.

### EXAMPLE

Kevin and Brenda purchased a home on 1 January 2018 and lived in that home until 1 January 2019 when they moved into a new home which settled on the same date. Although their old home is on the market, it does not sell until 31 July 2019.

Kevin and Brenda owned their old home for 576 days prior to its sale. Out of this, 365 days preceded the purchase of the new home and are thus exempt, and the last six months of common ownership (31 January 2019 to 31 July 2019) are also exempt. It is only the 31 days between 1 January 2019 and 31 January 2019 that are not exempt. Therefore, 31/576ths of any capital gain will be taxable. Because their home was owned more than twelve months, the usual 50% discount available to individuals will still apply.

## TRAVEL FOR SMSF INVESTMENTS

With the growth in self-managed superfunds or SMSFs over the last couple of years and the recent property boom, most SMSFs have an investment property as part of their asset portfolio. What happens when an individual uses their own vehicle to inspect the SMSF's rental property or collect the rents from the tenant? The ATO considers under ATO ID 2002/362 that this portion of the motor vehicle expenses is not an allowable deduction to the individual. Though harsh, it is a logical decision. The SMSF is a Trust and the individuals are not presently entitled as beneficiaries to any of the SMSF income. Consequently, there is no "nexus" between the incurring of the motor vehicle expense by the individual and the earning of the rental income by the SMSF. Further to this, a trustee is prohibited from being paid for their services as a trustee by an SMSF. Therefore, it is not possible to claim any motor vehicle expenses against non-payable SMSF trustee fees.

## CANCELLING YOUR GST REGISTRATION?

When a business cancels its GST registration, often overlooked is the potential GST adjustment that may be necessary on existing business assets. The GST Act provides that an increasing adjustment be made for anything that forms part of the assets of an entity immediately before the cancellation of the GST registration. The rationale for the adjustment is that, on cancellation of registration, the assets of an entity are assumed to go into private use. The increasing adjustment recovers amounts claimed as input tax credits on acquisitions, as the asset no longer qualifies as a creditable acquisition. The amount of GST payable is calculated by reference to the GST inclusive market value of the asset, where the market value is less than the initial consideration provided in acquiring the asset.

Take, for example, a business that has ceased operation and has a motor vehicle on hand with a market value of $11 000. Input tax credits had been claimed on the acquisition and running costs of the vehicle. The GST payable will be 1/11 of $11 000, that is $1 000.

## RENTING THE FAMILY HOME

A CGT exemption exists for any capital gains made on the sale of an individual's main residence. This is referred to as the main residence exemption and means that any gains made on the sale of a main residence, that hasn't been used for any income producing activity, are tax free to the owner.

So what happens in the situation of an individual who purchases a new family home to reside in, but decides to retain ownership of the previous family home as a rental property?

Section 118-192 of the Tax Act deals with the situation of the capital gains tax calculation required on a main residence which has also been used for income producing purposes.

The section only applies to properties where the income producing activity started after 7.30 pm on 20 August 1996 and the owner would have been entitled to a full main residence exemption if they had sold the dwelling immediately before the first time it was used for income producing purposes.

If these conditions are met, the taxpayer is taken to have acquired the property at the time the property is first used for income producing activities for the market value at that time.

For example, Scott purchases a home in 2020 for $300 000 and lives in it as his main residence until 2024. He then purchases another home and rents the existing property until its sale in 2026. The market value of the property at the commencement of the rental arrangement was $400 000. Therefore, the value to be used in calculating any capital gain or loss on disposal will be $400 000. Interesting to note is that the property must be held for at least 12 months from the time it is first used for income producing activities to be eligible for the 50% CGT exemption (rather than 12 months from the original purchase date).

## INCOME PROTECTION INSURANCE PREMIUMS

Statistically, one in four people will suffer a disability of some sort during their working life. Therefore, in order to maintain their lifestyle during the period that they are disabled, some people elect to take out sickness or accident insurance (commonly referred to as income protection insurance). Such insurance, if paid out, pays a fixed monthly amount to the policy holder (generally up to 75% of your income).

The good news is that for both employees and self-employed people, sickness/accident premiums that you pay under this type of policy are deductible. You can also deduct premiums for disability cover under a mortgage protection policy.

## PAYG WITHHOLDING TAX VARIATIONS

Variations in PAYG withholding tax can be obtained if you are likely to obtain substantial tax deductions on lodgement of your income tax return. Examples where this is often the case include:

- Where you own negatively geared investments (e.g. rental properties); or
- Where you receive substantial allowances in your job and you make large tax deductions at year's end (e.g. motor vehicle allowance claims).

The main purpose of varying your rate of withholding is to ensure that the amounts withheld during the income year best meet your end-of-year liability. The advantage of applying for a downwards variation of withholding (i.e. having less money withheld from your salary than normal) is that rather than receiving a large refund at the end of the year when you lodge your return, you can in effect progressively receive that amount during the income year.

You can also apply to have an upwards variation (i.e.. have more money taken out of your pay than normal).

To apply for a variation, you must obtain a PAYG withholding variation form which is available on the ATO website, and then send that completed form to the ATO whereupon they will determine if you are eligible.

# ACCOUNTING FOR COVID-19 INCENTIVES

*With the amounts having now made their way into the bank accounts of eligible business owners, this article informs you of how to account for, and the tax treatment of, the JobKeeper payment, the cashflow boost, and the apprentice wage subsidy.*

## CASHFLOW BOOST

The Cash Flow Boost scheme provides temporary cash flow support to small and medium enterprises to help meet wage and other commitments. There are two tranches of Boost: the first is paid on lodgement of the March BAS and is paid as a credit into your ATO account and is income tax free and free from GST (as the amount does not represent a taxable supply). It is quite unusual in nature being income tax free and is important to properly record the amount in your software. The amount of Cash Flow Boost is not turnover so is not taken into account as turnover for PAYG Instalment purposes nor is it taken into account when measuring turnover for JobKeeper eligibility.

### EXAMPLE

Lydia's Lighting Shop lodges its March BAS has $3,000 pay-as-you-go withholding (PAYGW) and $2,000 net GST owing to the ATO (the normal period BAS totals). When submitted the BAS, Lydia receives a $10,000 credit of the first Cash Flow Boost and her ATO account results in a $5,000 credit which is ultimately refunded.

**Question:**
What are the entries to record the Cash Flow Boost payment?

**Answer:**
Firstly, we establish a general ledger account to post the Cash Flow Boost stimulus benefit to. For the sake of simplicity we have called it "Cash Flow Boost" and it is an income account in the profit & Loss statement. It is best to record it in the Other Income section to avoid it interfering with presentation of Gross Profit in your Profit & Loss Statement. Deposits to the account are BAS Excluded and do not get reported on the BAS. Therefore, select the appropriate GST tax code to suit your software. There are a number of different ways to deal with the posting of Activity Statement payments. We have focussed on the outcome that is required rather than the means of achieving it as there are several ways of getting to a correct outcome.

Debit: PAYGW Payable: $3,000

Debit: GST Collected/Paid: $2,000

Debit: Bank $5,000*

Credit: Cashflow Boost $10,000

(note that this is the accounting outcome, not a general journal because you don't post general journals to bank)

There are a number of ways to achieve the above end, including but not limited to:

- A journal entry to record the extinguishment of the Activity Statement liability as follows:

Debit: PAYG Payable $3,000

Debit: GST Collected/Paid $2,000

Credit: Control Account –ATO Account $5,000

Debit: Control Account –ATO Account $10,000

Credit: Cash Flow Boost $10,000

*On receipt of $5,000 in the bank account, it is posted to Control Account ATO Account.

There are no doubt other possible treatments used in dealing with a client's period end BAS posting that get to the same outcome; but the important outcomes are:

- The creation of an Other Income account appropriately titled that records and isolates the full amount of the government's Boost Stimulus payment
- The income account would ideally be kept separate from other income accounts and titled to clearly identify it as the accountant will give Cash Flow Boost receipts a unique treatment in the year end Income Tax Return. For this reason, it is best not to simply lump it into a miscellaneous income account where its identity could be overlooked at year end
- The clearing of normal period end GST and PAYGW control accounts
- The income account is not subject to GST nor is it a GST-Free supply it is simply not a taxable supply (BAS Excluded) and thus is not recorded on the BAS.

Further Cash Flow Boost # 1 amounts could be received on monthly IAS and BAS for the months of April May and June (in the case of a monthly lodger) or on the June BAS (in the case of a quarterly lodger). The accounting, BAS and income tax treatment would be the same as above.

The total amount of Cash Flow Boost # 2 received is the same as Cash Flow Boost #1. It is received in four equal monthly instalments on lodgement of June – September BAS and IAS (for monthly lodgers), or 2 equal instalments on lodgement of June and September BAS (for quarterly lodgers). The accounting, BAS and income tax treatment would be the same as Boost #1 above.

## ACCOUNTING FOR JOBKEEPER STIMULUS RECEIPTS

The JobKeeper scheme provides a wage subsidy to Covid affected employers for certain Eligible Employees and Eligible Business Participants (generally, owners). Its purpose is to help keep employees connected with employers during the period of COVID-induced downturn and into the recovery phase. The JobKeeper stimulus is paid as a subsidy for wages paid for the 6 months April to September 2020. The amount of the payment is $1500 per eligible employee per fortnight. The same amount is paid for one Eligible Business Participant per entity. An eligible Business Participant could be a sole trader, a partner in a partnership, a beneficiary of a trust or a shareholder/director of a company that are not already included as an eligible employee. The JobKeeper subsidy is paid directly into a nominated bank account on lodgement of a monthly 'claim' form.

The JobKeeper subsidy is:

- Assessable income and included in the recipient's tax return
- Not subject to GST
- Not reportable on the Activity Statement.

JobKeeper payments are expected to be paid by the ATO within 14 days of the end of each calendar month (subject to the requirements being met) and the monthly lodgement being completed.

To account for these payments, firstly we establish a general ledger account to post the JobKeeper stimulus benefit to. For the sake of simplicity, we have called it "JobKeeper Subsidy" and it is an Other Income account in the profit & Loss statement. It is best to record it in the Other Income section to avoid it interfering with presentation of Gross Profit in your Profit & Loss Statement. Deposits to the account do not get reported on the BAS (they are BAS Excluded), so select the appropriate GST tax code to suit your software.

### EXAMPLE

Lydia's Lighting Shop (a sole trader business) has two Eligible Employees as well as Lydia working in the business who is an Eligible Business Participant. Each employee earns more than $1500 per fortnight. Lydia receives a JobKeeper stimulus amount of $9000 for the month direct into her nominated account.

**Question:**
What are the entries to record the JobKeeper Receipt?

**Answer:**
There are a number of different ways one may deal with JobKeeper Stimulus receipts, so we will focus on the outcome that is required moreso than the means of achieving it as there may be several ways of getting to a correct outcome.

Debit: Bank $9,000

Credit: JobKeeper Subsidy $9,000

There are a number of ways to get to the above end, including but not limited to:

- Simply posting the amount as a cash receipt to the newly created general ledger account
- Posting an entry to accrue the amount due in the relevant claim month either through a receivables module or as a general journal. If posting through an integrated receivables module then use normal invoicing process and if using an unlinked Other Receivable account (perhaps a separate general ledger account titled "JobKeeper Subsidy Receivable" – or similar) then a General journal will suffice – effect:

Debit: Receivables $9,000

Credit: JobKeeper Subsidy $9,000

*** Then on collection post the actual receipt of JobKeeper money to the linked receivables module or to the general ledger receivable account (depending on the approach you have selected).**

The important outcomes are:

- The creation of an income account appropriately titled that records and isolates the full amount of the JobKeeper stimulus payment
- No GST is recorded nor does the amount get reported on a BAS
- The receipt is not set off against a wage expense as that will make it difficult to reconcile wages at year end
- The amount is not treated as a clearing account where funds are received on behalf of an employee and simply passed onto them, such as Paid Parental Leave. It is a subsidy that has the character of income.

## ACCOUNTING TREATMENT FOR COVID APPRENTICE SUBSIDY

The COVID-based apprenticeship scheme sees a 50% subsidy in apprentice wages up to a maximum of $7000 per quarter for the 9 months ended 30 September 2020. Its accounting treatment is essentially the same as for the JobKeeper stimulus (outlined above). We would advocate establishing its own unique general ledger account titled "COVID Apprentice Subsidy" or similar.

*In response to the novel coronavirus (COVID-19), the Government is permitting certain individuals who have been financially impacted to access their superannuation. We explore this measure, and also detail other circumstances where you can gain early access to your retirement savings.*

## COVID-19 ACCESS

Eligible citizens and permanent residents of Australia or New Zealand who are financially impacted by COVID-19 can apply for up to $10,000 of their superannuation savings in 2019/2020 and up to a further $10,000 in 2020/2021.

Eligible temporary residents are permitted to access their superannuation in 2019/2020 only where they fall into one of the following categories:

- They hold a student visa that they have held for 12 months or more and they are unable to meet immediate living expenses
- They are a temporary skilled work visa holder and still employed but unable to meet immediate living expenses
- They are a temporary resident visa holder (excluding student or skilled worker visas) and they cannot meet immediate living expenses.

### ELIGIBILITY

Australian citizens and permanent residents of Australia or New Zealand, can take advantage of this measure where they meet any of the following criteria:

- You are unemployed (not just unemployed as a result of COVID-19)
- You are eligible to receive one of the following:
  - » Jobseeker payment
  - » Youth allowance for jobseekers (unless you are undertaking full-time study or are a new apprentice)
  - » Parenting payment (which includes the single and partnered payments)
  - » Special benefit
  - » Farm household allowance
- On or after 1 January 2020 either:
  - » You were made redundant
  - » Your working hours were reduced by 20% or more
  - » You were only a sole trader (not an employee also) and your business was suspended or there was a reduction in turnover of 20% or more.

Eligibility is self-assessed by each individual applicant. Just like tax returns, there is no need to attach any evidence to support your application. However, you should keep any evidence on file in the event that your eligibility is later questioned by the ATO. While in most cases eligibility will be self-evident (e.g. such as where you are receiving JobSeeker) criteria such as a sole trader establishing a 20% downturn will require detailed proof. Penalties apply should it later be determined that you were ineligible.

## APPLYING

Applications should be submitted online through myGov:

- Until 30 June 2020 for the 2019/2020 financial year, and
- Between 1 July and 24 September for the 2020/2021 financial year.

Before submitting your application the ATO advise that you double-check that the following information is correct:

- Your contact details
- The amount that you request (check your current balance through your super fund's online portal to ensure your request is based on the latest available account balance
- Your bank account details into which the withdrawals will be paid, noting that only Australian bank accounts are accepted.

While whether to take up this offer is a decision which will depend upon an individual's circumstances and should be made in consultation with your registered financial advisor, we note the following taxation treatment and external commentary:

- withdrawals are completely tax-free irrespective of age
- earnings on the amounts outside of superannuation (such as interest) are taxed at your marginal tax rate. By contrast, such earnings are taxed at 15% inside of superannuation or tax-free if your account is in pension mode
- most individuals who withdraw amounts but ultimately determine that they do not need them, can recontribute to superannuation and claim a tax deduction for the whole amount of the contribution, subject to their $25,000 concessional contributions cap
- Industry fund Hostplus observes that $20,000 withdrawn by a 25-year-old would have swelled to $132,000 by age 67 if not withdrawn from superannuation
- the Federal opposition observes that some super funds may be required to sell assets (such as shares that may have significantly decreased in value recently) to fund the payments. Selling assets at the bottom of the market would be suboptimal, says the opposition.

In addition to this newly-created access point, there are a range of other hardship-related conditions of release that already apply – allowing qualifying individuals to access their superannuation early as follows.

## PERMANENT INCAPACITY

You may access your superannuation if you cease gainful employment and the Trustee of your fund is satisfied that you have a permanent incapacity due to a permanent physical or mental medical condition and are unlikely, because of this condition, to engage in gainful employment that you are qualified for (by education, training or experience). In this circumstance, there are no cashing restrictions on the payment of benefits. At least two medical practitioners must certify your condition.

## TEMPORARY INCAPACITY

You may access your superannuation if the Trustee of your superannuation fund satisfied that you have temporarily ceased work due to physical or mental ill-health that does not constitute permanent incapacity. Generally, temporary incapacity payments may only be paid from your insured benefits (i.e. any income protection insurance held within your fund) or voluntary employer funded benefits. It's not necessary that your employment fully cease however, generally speaking, you would not meet this Condition of Release if you are on sick leave. If eligible, the benefits must be paid as a non-commutable income stream for the period you are incapacitated (they cannot be commuted to a lump sum).

## SEVERE FINANCIAL HARDSHIP

Under this condition of release, your fund trustee must be satisfied either that:

1. You have been receiving Commonwealth income support payments for at least 26 continuous weeks and were in receipt of this when you applied to have your benefits released), and you are unable to meet reasonable and immediate family living expenses. If this is met, the payment must be a single lump sum of no more than $10,000 and no less than $1,000 (or, if you balance is less than this, the lesser amount). Only one payment is allowed each 12 months.
2. You have reached Preservation Age (see earlier), and have received Commonwealth income support payments for a cumulative period of 39 weeks after reaching Preservation Age, and you were not gainfully employed either full-time or part-time when you applied to have your benefits released. There are no cashing restrictions.

## COMPASSIONATE GROUNDS

Your benefits may be released if all of the following conditions are met:

- You do not have the financial capacity to meet an expense
- The release is allowable under the rules of your fund, and
- The Department of Human Services (DHS) approves in writing the release.

Once DHS approval is obtained, the final decision to release rests with the Trustees of your fund. If they approve, they can only release an amount limited to what is reasonably needed. This must be paid in a lump sum.

### DHS GROUNDS

DHS will only approve your application if you do not have the financial capacity to:

a. Pay for medical treatment for a life-threatening illness, or to alleviate acute or chronic pain or mental disturbance, or for medical transport for you or a dependant.
b. Enable payments to prevent foreclosure by a mortgagee or the exercise of an express or statutory power of sale over the family home,
c. Pay for home and vehicle modifications to accommodate the special needs of a severely disabled person or dependant,
d. Pay for expenses associated with palliative care for you or a dependent, in the case of impending death,
e. Pay for expenses associated with , funeral or burial, or
f. To meet expenses in other cases where the release is consistent with (a) to (e).

## TERMINAL MEDICAL CONDITION

If you have a terminal medical condition and two medical professionals certify that the condition is likely to result in your death in the next 24 months, the balance of your super account may be paid as a tax-free lump sum benefit. There are no cashing restrictions. You will need to contact your superfund trustee to ensure the fund is able to release the benefit.

# JOBKEEPER – YOUR *QUESTIONS ANSWERED*

*The JobKeeper wage subsidy is one of the biggest ever economic stimulus policies announced by Government. We answer some burning employer questions.*

### WHAT IF MY TURNOVER NOW HAS NOT FALLEN BY 30% IN SUBSEQUENT MONTHS?

By way of background, to qualify an employer must demonstrate that its turnover has fallen by the following percentage compared to the same comparison period in 2019:

- 30% fall in turnover (for an aggregated turnover of $1 billion or less)
- 50% fall in turnover (for an aggregated turnover of more than $1 billion), or
- 15% fall in turnover (for ACNC-registered charities other than universities and schools).

The qualification period is any month from March 2020 to September 2020, or the April to June or July to September quarters…compared to the same period in 2019. Once the turnover requirement is met for a relevant month or quarter, then the employer qualifies. For example, if an employer has demonstrated that its turnover has fallen by 30% in the month of March 2020 compared to 2019…then they will meet the turnover requirement through to the end of the scheme on 27 September. This is even where their turnover has not fallen by 30% (or even increased compared to 2019) in subsequent months.

Although employers are required to report their monthly turnover in their monthly declaration to the ATO, Treasury has advised that the monthly reporting will not affect an entity's eligibility and is not used to verify whether projections previously supplied were accurate. Rather, it is intended to ensure there is good information on which to assess the economic impact of Coronavirus on a monthly basis across Australia.

## WILL I HAVE TO REPAY JOBKEEPER IF I ESTIMATED THAT TURNOVER WOULD FALL BY 30%, BUT IT FELL BY LESS?

While there is provision in the legislation for repayments of JobKeeper where it is found that an employer is not entitled to the amounts, some comfort has been offered to employers.

Treasury, in its *Supporting Business to Retain Jobs fact sheet, states that: "there will be some tolerance where employers, in good faith, estimate a greater than 30% (or 50%) fall in turnover but actually experience a slightly smaller fall".*

Further, appearing before the Senate Select Committee on COVID-19 in May, Mr. Jeremy Hirschhorn, ATO Second Commissioner, Client Engagement Group, said a "reasonable estimate" is sufficient for the JobKeeper turnover test under the legislation:

*When people make a good-faith estimate to comply and a good-faith decision that they're eligible, the Commissioner will be very understanding and sympathetic to their position, particularly where they have passed the benefit of the JobKeeper payment to their employees.*

*What the legislation, and the ATO are asking of businesses is to make a "good faith effort". When the ATO considers a good faith effort has been made, even if it's slightly wrong, the ATO will not seek repayments of JobKeeper or apply penalties.*

In summary, your projected GST turnover is a point-in-time test and needs to be a reasonable assessment of what was likely at the time you calculated the test. If, at a later stage, it eventuates that your actual turnover for your test period is greater than your prediction of your projected turnover, you do not lose access to JobKeeper. The ATO will accept your assessment of these turnovers unless it has reason to believe that your calculation of your projected GST turnover was not reasonable.

If there is a significant difference between your projected turnover and what eventuates, the ATO may need to assess whether your assessment was reasonable, so you need to keep good records of your calculations.

## FOR EMPLOYEES RECEIVING JOBKEEPER, HOW IS SUPERANNUATION CALCULATED?

Employers will only need to make superannuation contributions for any amount payable to an employee in respect of their actual employment, disregarding any extra payments made by the employer to satisfy the wage condition for getting the JobKeeper payment. For example, if the work actually done by an employee over a period entitled them to be paid $1,000, but the employer instead paid them $1,500 to satisfy the wage condition for a JobKeeper fortnight, then the employer will only be required to make superannuation contributions in relation to $1,000.

An employer will still be required to make the same superannuation contributions for an employee whose pay exceeds the JobKeeper payment. For example, if an employee is entitled to be paid $2,000 for their work, the employer will continue to be required to make contributions in relation to that amount, irrespective of whether they were eligible to receive the JobKeeper payment in relation to the employee.

An employer will not be required to make superannuation contributions for an employee who is stood down. This is because employers have no obligation to pay stood down employees. If an employer pays a stood down employee $1,500 to satisfy the wage condition for receiving the JobKeeper payment, then the entire amount will be disregarded for superannuation guarantee purposes.

## WHAT RECORDS DO I NEED TO KEEP TO DEMONSTRATE THAT I MADE A GOOD FAITH ESTIMATE THAT MY PROJECTED GST TURNOVER WOULD FALL BY THE REQUIRED PERCENTAGE?

You will need to keep evidence and sufficient records to demonstrate how you calculated your projected GST turnover during the 2020 turnover test period and show how you took reasonable steps.

Your projected GST turnover during the 2020 turnover test period is the sum of the value (GST exclusive sale price) of all the sales you have made, or are likely to make during that period.

For the purpose of determining sales likely to be made, the ATO will accept a calculation based on a bona fide business plan, accounting budget or some other reasonable estimate based on the evidence about the projected facts and circumstances for the remainder of the turnover test period.

Relevant evidence that would support a prediction of sales likely to be made may include:

- a decline in sales during the turnover test period or since 1 March 2020 as a result of government COVID-19 restrictions
- customers cancelling or modifying existing contracts for sales on or from 1 March 2020
- being required to close or pausing the business due to government COVID-19 restrictions
- delays in being able to get access to trading stock sourced from overseas on or from 1 March 2020
- evidence of your business's reliance on tourism
- any consequential effect on the price of what you supply, for example, the effect on the market value of new property being sold by a developer
- information known to the business, whether or not publicly available
- economic forecasts undertaken by a reputable organisation that are relevant to your type of business
- the likely timing of government COVID-19 restrictions being lifted for your type of business based on government announcements.

You should also keep records of any actual sales that you use in your calculations for the 2020 turnover test period.

## I AM AN ELIGIBLE BUSINESS PARTICIPANT, BUT MY BUSINESS HAS NOT MET THE ATO'S LODGEMENT REQUIREMENT AS IT IS A NEW BUSINESS. WHAT CAN I DO?

Eligible business participant clients can now apply to the Commissioner for the exercise of his discretion to be included in JobKeeper.

By way of background, to qualify for JobKeeper in your capacity as an eligible business participant, your entity among other requirements must have had an ABN on 12 March 2020 (or at a later time allowed by the Commissioner), and

- the entity included an amount, related to it carrying on a business, in its assessable income for the 2018–19 income year and the Commissioner had notice of that on or before 12 March 2020 (or a later time allowed by the Commissioner) OR
- the entity made a taxable supply, in a tax period that applied to it that started at or after 1 July 2018 and ended before 12 March 2020, and the Commissioner had notice of that on or before 12 March 2020 (or a later time allowed by the Commissioner).

Where a "later time" is sought, there is now an approved form to be used when applying for the Commissioner's discretion to be exercised. To be clear, you must apply (using this form) for extensions of time before lodging a JobKeeper claim. We also note that the above lodgement requirements do not apply where an employer is applying for JobKeeper on behalf of its employees. The rationale for this discrepancy appears to be that the legislators are guarding against 'fly-by-night' business owners seeking to exploit the scheme for their own personal benefit (as distinct from the benefit of their employees).

There are a range of circumstances where the Commissioner will seemingly exercise his discretion around the lodgement requirement including:

- a pre-existing lodgement deferral was in place, for example the 2018/2019 tax return is not due until a later date (i.e. 15 May) because the client is lodging via their Tax Agent
- the entity is a new business that is not registered or required to be registered for GST, but nonetheless made eligible supplies in the relevant period
- the entity was impacted by a recent natural disaster (e.g. bushfire, floods) and therefore automatic lodgement relief applies by virtue of its postcode
- the entity is a monthly GST lodger that commenced business in February 2020, has made taxable supplies in a completed tax period (the month of February) but its first Activity Statement is not due until 21 March.

Somewhat unjustly, an entity's choice of tax period can itself, render it ineligible. By way of example, a business that commenced and registered any time after 1 January 2020 and has quarterly GST tax periods (usually by default), will it appears not be granted the Commissioner's discretion because that entity's only relevant **completed** tax period ends on 31 March 2020 (after the 12 March cut-off date).

## WE KEEP HEARING THAT 31 MAY IS THE DEADLINE FOR REGISTERING FOR JOB KEEPER, CAN WE STILL REGISTER?

There is some confusion circulating around the 31 May JobKeeper deadline, and whether that is the last day that employers can enrol for JobKeeper payments for future months (especially those who aren't yet eligible but think they may become so in later months).

To be clear, 31 May 2020 was the final date you could enrol for JobKeeper if you intend to claim for wages paid for JobKeeper fortnights in APRIL and MAY.

However, it is not the final date for enrolling for JobKeeper payments if you later decide you are eligible for JobKeeper fortnights in the remaining months through to the end of September.

# SUPER OPPORTUNITIES FOR OLDER AUSTRALIANS

*In the 2019-20 Budget, the Australian Government announced that Australians over 65 years of age would have greater flexibility in making voluntary superannuation contributions (concessional and non-concessional). These changes come on stream from 1 July 2020.*

## REMOVING THE WORK TEST

The Government has removed the superannuation 'work test' for individuals aged 65 and 66 from 1 July 2020. This aligns the work test with the eligibility for the Age Pension which is set to increase to 67 from 1 July 2023. The change will enable an additional estimated 55,000 individuals to make concessional and non-concessional (after tax) voluntary contributions even if they are not working. The work test – which requires older Australians to work a minimum 40 hours over a 30-day period in order to make a voluntary superannuation contribution – will remain in place for those aged 67-74.

The suspension of the work test, enables individuals aged 65 and 66 who are no longer working, or only working a few hours per week, to contribute to superannuation and enjoy the tax concessions that it provides. Individuals in this age bracket will also have automatically met a condition of release (i.e. turning 65), and therefore will be able to withdraw these contributions as and when they please.

We note that as this change did not require legislation. Rather, it was achieved by changing the regulations.

**EXAMPLE**

Tom is a 65-year old recently retired engineer. He spends his days, tending to his garden, and playing golf at his local course where he also does some unpaid work in the pro-shop. He has a range of passive investments which take his taxable income to $110,000 per year. He recently sold a bundle of bank shares for $290,000.

Under the old rules, Tom could not contribute the sale proceeds to superannuation as he is 65 and does not work the required 40 hours over a 30 day period (unremunerated, volunteer work does not count). The $290,000 would therefore be trapped outside of superannuation, unless Tom returned to the workforce and met the work test by age 75.

However, from 1 July 2020, without having to meet the work test, Tom would be permitted to invest the proceeds inside superannuation. Assume those proceeds earned 5% per annum, the tax payable on those earnings would be $2,175 ($14,500 x 15%). If Tom's account was in pension mode, the earnings would be tax free.

Under the old law, with the proceeds outside superannuation, assume Tom found an equally attractive investment vehicle with the same rate of return. He would pay $5,655 in tax per year ($14,500 earnings x 39% personal tax rate, including Medicare levy). Thus, under the new law, Tom would be almost $3,500 better off per year (or $5,655 if his account was in pension mode).

## INCREASE TO AGE LIMIT FOR SPOUSE CONTRIBUTIONS

From 1 July 2020, the Government has increased the age limit for spouse contributions from 69 to 74 years. Before this, individuals aged 70 and over could not receive contributions made by another person on their behalf. Therefore, individuals up to and including age 74 are now able to receive spouse contributions, with those aged 65 and 66 no longer needing to meet a work test. As has been the case in the past for recipient spouses aged between 65 and 70, a recipient spouse aged 67 to 74 will need to satisfy the work test in order for the super fund to accept the contribution. Providing taxpayers with greater ability to contribute on behalf of their spouse, can be particularly advantageous where:

- The contributing spouse has already reached their own $1.6 million Total Superannuation Balance restriction
- Where the recipient spouse is significantly older, as they can access a tax-free superannuation income stream whereas the younger spouse may not have yet met a condition of release, or
- The contributing spouse is eligible to claim a spouse tax offset of up to $540 as their spouse is a low-income earner.

Where you make a superannuation contribution for your spouse you can claim a tax offset equal to 18% of your contributions, subject to the following rules:

- The maximum offset is $540. This means that the offset can be claimed for a maximum of $3, 000 contributions (18% of $3, 000).
- If the sum of your spouse's "total income" (consisting of assessable income, plus reportable fringe benefits total, plus reportable employer superannuation contributions) is greater than $37, 000, the maximum contributions eligible for the tax offset ($3, 000) is reduced by the excess. Consequently, no tax offset can be claimed where the spouse's total income is greater than $40, 000 (up from $13, 800).

Therefore, there are three scenarios at play. If the receiving spouse's total income is:

- Less than $37 000…the tax offset will be 18% of the lesser of the contribution and $3 000
- Between $37 000 and $40 000…the tax offset will be 18% of the lesser of the contribution and $3 000, less the amount by which the spouse's total income exceeds $37 000
- More than $40 000…the tax offset is zero.

You can contribute more than $3, 000, however this will not increase the offset that you receive. Also note that no tax offset can be claimed if either:

- The receiving spouse's non-concessional contributions for the year exceed their non-concessional contributions cap, or
- At the end of the prior financial year, the spouse has total superannuation interests that exceed the general transfer balance cap (which is $1.6 million).

### EXAMPLE

Samantha is a dietician with taxable income of $95, 000. Her spouse Tim (71) stays at home tending to the housework. If, Samantha makes a $3, 000 contribution to Tim's superannuation fund, Samantha will receive a tax offset of $540 (being 18% of $3, 000). This will reduce her tax liability from $24, 682 to $24, 142).

Samantha could not make this contribution under the old law which applied before 1 July 2020, as Tim was older than 69.

## EXTENDING ELIGIBILITY FOR THE BRING-FORWARD CAP

In a measure designed to complement the above removal of the work test, from 1 July 2020, access to the bring-forward cap will be extended from taxpayers aged less than 65 years of age to those aged 65 and 66. This will enable these individuals to make up to three years' worth of non-concessional contributions, normally capped at $100,000 per year, to superannuation in a single year (but no more than $300,000 over the three-year total period). This will give older individuals increased flexibility to save for retirement. Taxpayers in this age bracket will be able to contribute lump sums that they have on hand into superannuation more quickly; bringing forward the accompanying tax concessions – rather than a maximum of $100,000 per year under the current rules that apply.