GFM
Business Advisors & Accountants

CPA

April 2020 Newsletter

The current Covid-19 Pandemic has had the biggest impact on our clients and friends since GST was introduced in 2000. The health and wellbeing of tax payers and their associates is of the highest importance however the full financial impact of this current situation may not be realised for some time. The Government has announced many stimulus packages that we at GFM have endeavoured to make available to our clients in the best format possible. GFM have spent a considerable number of hours training and analysing the benefits available to all concerned and as we write this the Job Keeper registration process has just been released. Review your situation to work out what, if any, benefits are available to you and clarify this situation with us if you have not already done so.

Zoom/Skype meetings are the new norm and have been extremely productive. Also wearing jeans to work seems like the new standard whilst we are in this Stage 3 restrictions!!!

Stay healthy and safe and we will get through this together.

From Darren, Brent and Team at GFM

Has your 2019 Tax Return been completed as yet?

Do you usually receive a refund? It is now more important than ever to be up to date with your tax obligations. If you have not completed your 2019 or have other outstanding returns please contact our office on 03 9374 2422 as soon as possible in order to have your returns lodged.

Special Points Of Interest

- ATO announces short cut method for claiming home office running costs.
- Demand for Wills on the rise as Coronavirus fears set in for Australians.
- Coronavirus: Government announces new tax measures.
- New laws can make Directors personally liable for GST.
- New Super Guarantee Amnesty.
- New vacant land tax measures.
- Government's Child Care and Early Childhood Education Relief Package.
- ATO on property investments.
- Reducing the minimum drawdown amounts for superannuation pensions.
- Reducing Social Security deeming rates.
- Key Dates.

ATO announces short cut method for claiming home office running costs

The Australian Taxation Office ('ATO') has announced a temporary simplified short cut method to make it easier for individual taxpayers to claim deductions for additional running expenses incurred (e.g. additional heating, cooling and lighting costs), as a result of working from home due to the Coronavirus pandemic.

Based on the announcement, the ATO will allow individuals to claim a deduction for all running expenses incurred during the period 1 March 2020 to 30 June 2020, based on a rate of 80 cents for each hour an individual carries out genuine work duties from home. This is an alternative method to claiming home running expenses under existing arrangements, which generally require an analysis of specific running expenses incurred and more onerous record-keeping.
ATO's 80 cents per hour method covers all running costs
The 80 cents per hour method is designed to cover all deductible running expenses associated with working from home and incurred from 1 March 2020 to 30 June 2020, including the following:

- Electricity expenses associated with heating, cooling and lighting the area at home which is being used for work.
- Cleaning costs for a dedicated work area.
    - Phone and internet expenses.
    - Computer consumables (e.g., printer paper and ink) and stationery.
    - Depreciation of home office furniture and furnishings (e.g., an office desk and a chair).
    - Depreciation of home office equipment (e.g., a computer and a printer).

This means that, under the 80 cents per hour method, separate claims cannot be made for any of the above running expenses (including depreciation of work-related furniture and equipment). As a result, using the 80 cents per hour method could result in a claim for running expenses being lower than a claim under existing arrangements (including the existing 52 cents per hour method for certain running expenses).

Furthermore, according to the ATO's announcement, under the 80 cents per hour method:

a. there is no requirement to have a separate or dedicated area at home set aside for working (e.g., a private study);
b. multiple people living in the same house could claim under this method (e.g., a couple living together could each individually claim running expenses they have incurred while genuinely working from home, based on the 80 cents per hour method); and
c. an individual will only be required to keep a record of the number of hours worked from home as a result of the Coronavirus, during the above period. This record can include time sheets, diary entries/notes or even rosters.

Working from home running expenses that are incurred before 1 March 2020 (and/or incurred from this date where an individual does not use the 80 cents per hour method) must be claimed using existing claim arrangements. Broadly, these existing claim arrangements require:

- an analysis of specific running expenses incurred as a result of working from home; and
- more onerous record-keeping (e.g., the requirement to provide receipts and similar documents for expenses being claimed, as well as the requirement to maintain a time usage diary or similar record to show how often a home work area was used during the year for work purposes).

Demand for Wills on the rise as Coronavirus fears set in for Australians

The number of people preparing a will has jumped dramatically as the coronavirus pandemic shocks Aussies out of their ambivalence about estate planning.
Demand has increased across the board, from new parents trying to get their affairs in order to older Australian starting to think about estate planning given the uncertainty of the times.

Online wills

It's important to get your will reviewed by a professional to check for errors and gaps.
For example, if they have underage children and don't appoint a guardian for the children, this is something that a legal team will highlight.
Other errors might include unclear language where $10,000 is left to Jack and Jill - and it's not clear if it's $10,000 between them or each.
The price of preparing a will can range from $190 for an online will for a single person to more than $2000 for something drawn up by a professional to more than $6000 for documents that deal with a family trust and superannuation.

How to start your will

You should always make a plan before seeing a lawyer or estate planning expert. Here are his tips:

- Pour a glass of wine (whiskey, tea or whatever) and grab a pen and five blank pages.
- List everything you own and also list everything that your significant other owns; include anything jointly owned and also any superannuation and list any insurances in the superannuation.
- List everyone you feel can or should benefit in some way. Note that the first person on your list is you.

- Page 1: If you survive your significant other, what do you want to see happen? Do you get everything? Or do you get the house and super but the children get the cash?
- Page 2: If you die before your significant other what do you want to see happen?
- Page 3: You both die - what do you want to see happen? 50:50 to your respective families equally to all the children but not until they reach a particular age?
- If there are under-18 children, add who will be their guardian? Who they will live with? What school will they go to? Who will manage their inheritance until they inherit?
- Page 4: This is for the disaster. In the event that you, your significant other and your children perish, who gets the inheritance?
- The final page lists the executor and two back-ups. You might also add enduring powers of attorney, enduring guardianship, and funeral details.

When you've made these decisions, you are ready to take the plan to the professionals. These are some of the most common mistakes people make with their wills.

Common mistakes people make with their wills

1. They procrastinate because it's complex - they focus on the structure and are overcomplicate their intentions.
2. They don't include any information about capital gains tax.
3. There are no records to show if something is pre-CGT or not (pre-September 20, 1985) or if post, the cost of acquisition and holding.
4. This causes millions in extra tax to be paid every year on the sale of a holiday home because the only records are purchase price and sale price, and no other records are held.
5. They don't realise that super is taxable - they think it is tax-free.
6. This is only correct if the super goes to a spouse or under-18 child or a dependent, otherwise it is taxable.
7. This issue often arises with the death of the surviving partner but a simple plan can often manage this.
8. They think that super is controlled by the will - it probably isn't. A beneficiary needs to be nominated within your super fund.
9. They include structures such as family trust and self-managed super without seeing a professional.

To write a valid will, you must:

- be over 18
- be making it voluntarily, without pressure from others

- understand what you are doing
- have it signed and acknowledged by two witnesses who are not beneficiaries sign it (this includes printing and signing an online will)

Coronavirus: Government announces new tax measures

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

- From Thursday **12 March 2020**, the instant asset write-off threshold has been increased from $30,000 (for businesses with an aggregated turnover of less than $50 million) to **$150,000** (for businesses with an aggregated turnover of less than $500 million) until 30 June 2020.
- A time-limited 15-month investment incentive (through to 30 June 2021) which will operate to accelerate certain depreciation deductions.
- This measure will also be available to businesses with a turnover of less than $500 million, which will be able to immediately deduct 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.
- Small and medium-sized businesses (and not-for-profit entities), with an aggregated annual turnover of less than $50 million that employ people, may be eligible to receive a total payment of up to $100,000 (with a minimum total payment of $20,000), based on their PAYG withholding obligations.
- A new **'JobKeeper Payment'** will be available to assist eligible employers (and self-employed individuals) who have been impacted by the Coronavirus pandemic to continue to pay their workers.

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

ATO's support measures to assist those affected by COVID-19
The ATO will also implement a series of administrative measures to assist Australians experiencing financial difficulty as a result of the COVID-19 outbreak.
Options available to assist businesses impacted by COVID-19 include:

- Deferring the due dates for income tax payments, Fringe Benefits Tax payments ('FBT') and excise payments up to **12 September 2020** for businesses in financial difficulty; and
- Remitting any interest and penalties, incurred on or after 23 January 2020, that have been applied to tax liabilities.

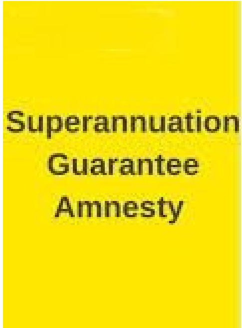
However, note that employers will still need to meet their ongoing super guarantee obligations for their employees.
Please contact our office if you need any advice or assistance during this difficult time.

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.

Government's Child Care and Early Childhood Education Relief Package

The Federal Government has just announced a relief package for the child care and early childhood education sector ('child care sector'). The relief package is designed to:

- provide free child care to around one million families; and
- ensure that as many of the child care sector's 13,000 child care and early learning services as possible keep their doors open for families that need to work and to support vulnerable children during the Coronavirus pandemic.

Based on the Prime Minister's Media Release of 2 April 2020, the relief package will involve additional funding for the child care sector, broadly as follows:

a. The Government will pay 50% of the child care sector's fee revenue (presumably, this would be paid to each eligible child care and early learning centre) up to the existing hourly rate cap.

b. The additional funding will apply from 6 April 2020, based on the number of children who were in care during the fortnight leading into 2 March 2020, whether or not they were attending care.
c. The additional funding will only be available as long as centres remain open and do not charge families for care.
d. The payments made under the relief package will commence to be made at the end of next week and will be made in lieu of the Child Care and Additional Child Care Subsidy payments.
e. Payments of higher amounts will be available in exceptional circumstances, such as where greater funding is required to meet the needs of emergency workers or vulnerable children.
f. Until the payments are made, the Government will allow centres to waive gap fees for families who keep their children home, and families will be able to use the 20 extra absence days the Government has funded for Coronavirus-related reasons without giving up their place in a centre.
g. The new funding arrangements will be reviewed after one month, with an extension to be considered after three months.

The Prime Minister's Media Release also advises that, families who have terminated any child's enrolment since 17 February 2020 should get in contact with the relevant centre to re-start the child's enrolment. Furthermore, re-starting a child's enrolment:

- will not require families to send their children to child care;
- will not require families to pay a gap fee; and
- will hold the child's place at the centre for the point in time when things start to normalise and families are ready to take their children back to their centre.

In a separate media statement, the Minister for Education, Dan Tehan, also indicated that means testing arrangements to access the child care subsidy for those who are working during the six-month Coronavirus pandemic will no longer be in place.

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.

Reducing the minimum drawdown amounts for superannuation pensions

The Government will be temporarily reducing the superannuation minimum drawdown amounts for account-based pensions and similar products by 50% for the 2020 and 2021 income years.

This basically means that the total minimum annual pension amount that a superannuation fund is otherwise required to pay to a member receiving a pension from the fund (e.g., an account-based pension) will be reduced by half for these two income years.

Reducing Social Security deeming rates

From 1 May 2020, the Government will be reducing both the upper and lower social security deeming rates by a further 0.25 percentage points. This is in addition to the recent 0.5 percentage point reduction, resulting in an overall reduction to the social security deeming rates of 0.75 percentage points.

On this basis, as of 1 May 2020, the upper deeming rate will be reduced from 3% to 2.25%, and the lower deeming rate will be reduced from 1% to 0.25%.

These reductions reflect the low interest rate environment and its impact on the income from savings. Broadly speaking, the social security deeming rates apply (for 'income test' purposes) to determine the amount of income that an individual is 'deemed' (or taken to) earn from financial investments (e.g., cash deposits and listed securities), irrespective of the actual amount of income (e.g., interest income and dividend income) earned by the individual. In most cases, the deeming rates apply for the purposes of applying the Age Pension 'income test'.

Key Dates

- *March Monthly IAS/BAS - **21st April 2020***
- *3rd Quarter Super guarantee contributions - **28th April 2020***
- *April Payroll Tax - **7th May 2020***
- *Due Date for lodgement of 2019 Income Tax Returns- **15th May 2020***
- *April Monthly IAS/BAS – **21st May 2020***
- *March Quarterly IAS/BAS - **26th May 2020***

Important: This is not advice. Items herein are general comments only and do not constitute or convey advise per se. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.
