

# YES20

Year end strategies for 2020

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## JobKeeper: what to do now

Businesses unsure of what's next for their JobKeeper claim must be aware of the administration procedures required to administer their claim and the cash flow risks JobKeeper presents.

The ATO has clarified the process to claim for eligible businesses. The steps include:

- Register your interest and subscribe for JobKeeper payment updates through the ATO website.
- Continue to pay eligible employees at least \$1,500 each per fortnight (the first JobKeeper fortnight is from 30 March to 12 April), or make a single combined payment of \$3,000 by 31 May to receive April and May payments.
- Notify eligible employees of your intention to claim JobKeeper payments and confirm that they are not also claiming the payment through another employer.
- Ensure that you have provided nominated employees with the JobKeeper employee nomination notice to complete.
- Ensure that you enrolled for the JobKeeper payment through the ATO's Business Portal.
- Fill out the online form with your bank details and entitlement claims based on business participation, e.g. sole traders.
- State number of employees who will be eligible for the first two JobKeeper fortnights (30 March -12 April and 13 April - 26 April).

While providing undeniable benefits, the JobKeeper scheme also presents risk.

Cash flow risks can occur because businesses must first ensure all eligible employees are paid a minimum \$1,500 per fortnight to all nominated employees. To receive the first payment in May 2020, employees must have been paid the minimum of \$1,500 from 30 March 2020.

In addition, employers who apply for the scheme but fail to pay their eligible employees may face penalties up to \$126,000 for individual employers, or \$630,000 for corporations as a breach of the Fair Work Act.

The ATO is also closely monitoring businesses seeking to profit from the scheme.

Remedies that are available to the ATO include clawing back funds (with interest) which it deems to be improperly paid.

The ATO requires monthly reports of current and projected sales as part of the compliance process with the JobKeeper scheme.



## Preparing for year end

Effective planning and preparation is critical for all taxpayers as the end of financial year approaches.

The good news is that your tax professional is here to support you so you don't have to do all of the heavy lifting yourself.

This is the perfect time of the year to seek advice from your accountant to maximise your tax savings for 2019-20 and start planning fresh for next year.

## Tax tips for property investors

The code will apply from 3 April 2020 to SMEs with an annual turnover of less than \$50 million and are participating in the JobKeeper program.

Under the code of conduct for commercial tenancies:

- Landlords must not terminate leases for non-payment of rent during the COVID-19 pandemic and recovery period.
- Tenants must stay committed to their lease terms.
- Landlords must offer reductions in rent as waivers and deferrals proportionate to the tenant's reduction in trade during COVID-19. Waivers must constitute no less than 50 per cent of the total rent reduction during that period.
- Benefits that owners get for their properties as outgoing reliefs (e.g. deferred loan payments, land tax, reduced charges) should be passed onto the tenant in the appropriate proportion.

The code will be implemented nationwide and aims to encourage parties to reach agreeable outcomes on a case by case basis.

For commercial tenants, this means negotiating rent reductions corresponding to their annual turnover reductions and being provided extended lease terms for the rent waiver and deferral period.



## Rent relief for commercial tenants

COVID-19 has thrown businesses into chaos and the situation is not significantly different for property investors right now, but a quick review may help dampen the impact.

### Land tax deferrals

Many state governments are allowing landlords to temporarily offset losses by deferring land tax obligations (refer to your own state's COVID-19 response to tenancy agreements). QLD and NSW will also be providing a discount of up to 25 per cent on land tax in 2020 on the condition that savings are passed on to tenants through commensurate rent relief.

### Prepaid expenses

Bring forward any maintenance expenditure that will need to be completed by 30 June. Ensure to distinguish between what the ATO considers a 'repair' and an 'improvement', as improvements are non-deductible.

### Interest

Pre-pay interest on property investment loans if you have adequate cash flow in order to claim an immediate deduction. Investors may choose to pay interest in advance in order to simplify finances by making one prepayment of interest upfront or protect against possible interest rate rises over the 12 month period.

### Short-term holdings

If you have renovated a property with the view to sell it for profit in the short term, you may find yourself taxed as a 'profit making scheme'. This means you will not be able to take advantage of CGT concessions.

### Personal expenses

Ensure that any claims or interest on borrowings for investments can be clearly separated from interest on borrowings of a personal nature.

### Depreciation deductions

A depreciation schedule can be provided by a qualified quantity surveyor, outlining the tax deductions that are available and help to provide a significant return. The cost of having a depreciation schedule prepared is also tax deductible.

### Repairs at time of purchase

Expenses for repairs to property are generally deductible provided that they relate to wear and tear or other damage as a result of earning rental income. The cost of initial repairs at the time of purchase are not deductible.

## Things to consider when dismissing employees due to the Coronavirus crisis

**Business owners have faced many challenges and changes over the last month, but when it comes to employees, it is critical not to lose sight of obligations that remain when ending employment.**

Despite being faced with additional pressure at this time, employers must continue with their obligations to comply with the applicable award, enterprise agreement, workplace policy or employment contract, as well as providing employees with their legal entitlements such as notice, accrued leave and redundancy payments when dismissing or standing down employees due to restrictions placed on them by COVID-19.

The Fair Work Act prohibits employers from dismissing employees due to illness or injury, meaning that if they have contracted COVID-19, or have symptoms that prevent them coming into work, they cannot be dismissed.

Employers who are affected by COVID-19, such as those who are facing business slow down or are shutting down may dismiss employees under redundancy.

Employees may be entitled to redundancy pay if their continuous service to the employer is more than 12 months.

Regular redundancy eligibility requirements still apply and not all employees will be eligible, such as casual workers, apprentices and trainees.

The Australian Government has enabled employers to make temporary and partial stand downs during COVID-19.

Stand downs can be enforced without pay if the business has been closed due to enforceable government direction (non-essential services), if a significant portion of employees are under self-quarantine, or if work is forced to stop due to lack of supply.

## Working from home: what deductions can you claim?

Many employees are now being required to work from home to meet social distancing requirements placed on them by COVID-19, and are now faced with meeting some of the costs associated with their job, such as heating, lighting and internet; costs that are normally paid by their employer.

Expenses incurred by employees that are related to their job can typically be claimed as a tax deduction. Deductible running expenses include:

- Utilities such as heating, cooling and lighting.
- Cleaning costs for your work area.
- Mobile or landline phone expenses for work calls.
- Internet connection.
- Computer consumables and stationery.
- Repair costs for home office equipment and furniture.
- Depreciation of home office equipment, computers, furniture and fittings.
- Small capital items such as a computer (purchased for the purpose of working from home) can be claimed if they cost under \$300. If the cost exceeds \$300, the decline in value can be deducted.

The ATO has introduced a new 'shortcut method' where you can claim additional running expenses at a rate of 80 cents for each hour you work from home as a result of COVID-19.

The shortcut will apply from 1 March 2020 to 30 June 2020.

A record of hours worked such as timesheets or rosters must be kept as proof.

If you only undertake minimal work tasks from home such as occasionally checking emails or taking calls, then you are not eligible for the deduction.

To claim the deduction, you must specify your claim with the note "COVID-hourly rate" when lodging your upcoming 2019-20 tax return.

Individuals can also choose to deduct working from home expenses using the pre-existing methods, which may prove to be more tedious.

- The actual cost method: individuals claim the actual portion of running expenses incurred for work by keeping a diary that details the work portion of your household running expenses. The diary can include records such as receipts and work documents supporting your claim.
- The fixed-rate method: a fixed rate of 52 cents per hour worked can be claimed. This applies for electricity and decline in furniture expenses, but the actual work-related portion of expenses must be calculated for phone and internet costs, the depreciation of office equipment and computer consumables and stationery.

Expenses such as rent, mortgage and insurance cannot be claimed unless you have a permanent home office.

## 2020 End-of-year Checklist

### FOR BUSINESSES

#### Pay quarterly super

Super Guarantee (SG) contributions must be paid by 30 June 2020 to qualify for a tax deduction in the 2019–20 financial year.

#### Superannuation Guarantee Amnesty

Employers who have historic SG non-compliance can self-correct unpaid amounts without penalty under the SG Amnesty. Employers can claim deductions without incurring administration charges or penalties until 7 September 2020. Payments made after this date will not be tax deductible.

#### Review capital expenditure

This financial year, the instant asset write-off allows eligible businesses to instantly deduct assets costing up to \$150,000 on their upcoming tax return.

#### Small business CGT concessions

Individuals operating a small business may be eligible for capital gains tax (CGT) concessions on the sale of business assets.

The small business CGT concessions are available to business taxpayers with an aggregated turnover of less than \$2 million or on business assets less than \$6 million.

#### Stocktake

Obsolete, slow-moving or damaged stock should be identified by 30 June and disposed of for income purposes in order to receive a deduction.

#### Contact the ATO

The ATO is responsive to businesses that are struggling to keep on top of their tax obligations due to COVID-19. Businesses struggling to meet their tax obligations should contact the ATO to discuss deferring payments, make variations to PAYG quarterly tax instalments, or change their GST reporting cycle from quarterly to monthly to receive quicker access to GST refunds.

#### Defer income

Businesses may wish to delay tax payments on assessable income this financial year by deferring invoices until after 30 June so that income from the payments won't be taxed until the following financial year.

### FOR INDIVIDUALS

#### Work from home deductions

If you've been working from home due to the coronavirus, the 'shortcut method' is available to claim running expenses at the rate of 80c per hour worked. Don't forget to include "COVID-hourly rate" to claim on your tax return.

#### Capital losses

Selling poor performing assets, such as shares, may enable you to bring forward a tax loss that can be offset against any capital gains made throughout the financial year.

#### Early access to superannuation

Individuals impacted by COVID-19 may be eligible for early access of up to \$10,000 of their super from mid-April. Those who wish to access up to \$20,000 must apply twice; once before 1 July 2020, and once within approximately three months after 1 July 2020.

**Make use of us!** This guide is merely a starting point to help you identify areas that might have an impact on your personal and business planning. We are always pleased to discuss matters with you and advise in any way we can.



## Early release of superannuation available

The Government has changed superannuation rules to alleviate the COVID-19 impacts on individuals, allowing an early release of superannuation.

Individuals affected by COVID-19 will be able to access up to \$10,000 of their superannuation before 1 July 2020, as well as a further \$10,000 after this date for approximately three months. To be eligible, you must comply with one or more of these requirements:

- You are unemployed.
- You are eligible for a parenting payment, jobseeker payment, youth allowance for jobseekers, special benefit or farm household allowance.
- You were made redundant in 2020.
- Your working hours were reduced by at least 20 per cent during 2020.
- You are a sole trader and your business was suspended or experienced a turnover reduction of at least 20 per cent during 2020.

Applications for early release of your superannuation will open from mid-April 2020. Individuals will be able to apply directly through the ATO through the myGov website and certify that they meet eligibility requirements.

Before applying for the early release of super, individuals should get advice in relation to the impact of such a strategy and what options may be available.

## Major changes to instant asset write-off

**Instant asset write-off policies have been expanded as part of the Government's COVID-19 initiative to encourage business spending in an effort to increase cash flow, stave off an economic recession, boost consumption and protect employment.**

The instant asset write-off threshold has been increased from \$30,000 to \$150,000 and has expanded access to include businesses with an aggregated annual turnover of less than \$500 million (up from \$50 million).

This applies from 12 March 2020 until 30 June 2020, for new or second-hand assets first used or installed ready for use in this timeframe.

Items that small businesses can purchase under the new instant asset write-off scheme include:

- Company vehicles;
- Computer equipment;
- Office furniture and facilities; and
- Solar systems for business premises.

In addition, the Government is introducing a 15 month investment incentive (through to 30 June 2021) to support business investment and economic growth over the short term, by accelerating depreciation deductions.

Businesses with a turnover of less than \$500 million will be able to deduct 50 per cent of the cost of an eligible asset on installation.

As spending money on additional equipment at this time may be problematic given the financial burden placed on businesses during COVID-19, any expenditure needs to be made with respect to the cashflow and tax effect of any purchase, particularly a large one.

Businesses in a position to invest in equipment may be able to take advantage of the write off and offset against any taxable gains they receive as part of the Government economic stimulus initiatives, and at the same time invest to improve business efficiency.

## Superannuation strategies for 2020

**Super contributions are one of the areas that individuals need to review now, even more so this year with the capital losses incurred by most super fund balances as a result of the economic downturn due to COVID-19.**

The recent turn of events may give rise to individuals needing to revisit their super strategies and contributions.

### Concessional contributions

Concessional contributions are before-tax contributions made into your super fund.

They include employer contributions, salary sacrifice payments and personal contributions you claim as a tax deduction.

The concessional contributions cap is \$25,000 for all ages for the 2019-20 financial year.

From 1 July 2018 individuals with a total superannuation balance of less than \$500,000 on 30 June of the previous financial year may be entitled to carry forward unused contributions and contribute more than the general concessional contributions cap and make additional concessional contributions for any unused amounts.

Concessional contributions are taxed at 15 per cent. Individuals may also pay Division 293 tax which is an additional tax on concessional contributions for individuals whose combined income and contributions are greater than \$250,000.

### Non-concessional contributions

Non-concessional contributions are paid into super funds from after-tax income. They include contributions made by individuals or their spouse to a super fund where contributions are not claimed as an income tax deduction. The annual non-concessional contribution cap for the 2019-20 financial year is \$100,000.

Eligible individuals may make bring-forward contributions, allowing them to bring the next two years of their annual non-concessional contributions cap forward into the current financial year without breaching the contributions cap.

Non-concessional contributions are not taxed unless the caps are exceeded.

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