

INSIDE

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FINANCIAL MATTERS AFFECTING YOUR LIFESTYLE



- Your Business and the JobKeeper Scheme,
- **COVID-19 instant asset write-off and accelerated depreciation,**
- **Early Release of Super under Coronaviruse – processing issues,**
- **Contribution flexibility for older Australians.**

Your Business and the JobKeeper Scheme

The ATO has been charged with running the JobKeeper scheme, which is intended to support businesses that are financially affected by COVID-19 the help keep their staff employed.

Employers will be required to pay their eligible employees a minimum of \$1,500 a fortnight, before tax, to claim the JobKeeper payment. This is then paid in arrears back to the employer each month by the ATO.

Note that if a staff member had been earning more than this amount before tax, the business will need to make up the rest as the employer will still only get the \$1,500. If they earned less, the employer will still be required to pay them \$1,500. There is no “keep the difference” option in these cases, and not paying the full \$1,500 cancels a business’s eligibility.

Payments are made each fortnight, with the first two fortnight periods (30 March to 26 April) already having passed. The run of fortnights is intended (at present) to end at 27 September. There is no need to adjust any payroll periods already adopted, but the JobKeeper reimbursement will follow this fortnightly schedule.

Entitlement to JobKeeper reimbursements will usually pivot on a business’s payroll, but the ATO says the first two fortnights can be deemed as already compliant as long as staff had been paid the required amounts by

8 May.

All JobKeeper payments are assessable income of a business, and the normal rules on deductibility apply on their payment to eligible employees. The payments are not subject to GST. Super guarantee obligations apply to previous income levels, but there is no SG on additional payments resulting from the scheme.

Eligibility

The central measure on gaining access to the JobKeeper payments is a fall in turnover. A business with an aggregated turnover of \$1 billion or less will qualify if facing a 30% fall in turnover (the trigger is 50% for greater aggregated turnover businesses and 15% for registered charities).

If an employer wants to be involved with JobKeeper payments for the months of April and May 2020 (just by way of example), the fall in turnover is found by comparing either:

- GST turnover for April 2020 with GST turnover for April 2019
- Projected GST turnover for May 2020 with GST turnover for May 2019
- Projected GST turnover for the quarter starting May 2020 with GST turnover for the quarter starting May 2019.

Reporting BAS monthly or quarterly does not necessarily

influence the outcome, and once the decline in turnover is established there is no need to keep testing each month. Also the Commissioner has discretion to use an “alternative” measure if the above is inappropriate (if for example the business has been operating for less than a year). The ATO has released a set of alternative tests for turnover which you can consider if appropriate to your circumstances.

Eligibility also generally depends on you having been carrying on a business on 1 March and employing at least one eligible employee. Sole traders, partners in partnerships, beneficiaries in trusts, shareholders of companies and directors of companies who are not employed in the business can participate in the JobKeeper scheme – but only one per entity and only if they are actively engaged in the business. This rule applies whether or not the business has other employees, but further qualifying factor is that the entity must have held an ABN at 12 March.

Government bodies or companies in liquidation are unable to enrol for JobKeeper. Individuals that are bankrupt also cannot enrol.

As far as employees go, they can be permanent full or part time, or casual if employed on a regular or systematic basis for at least 12 months at 1 March. They must also be Australian residents (as defined) aged 18 or over, not receiving parental leave or dad and partner pay, nor workers compensation. Note that they cannot receive payments from more than one employer.

For full time students who are 17 years old and younger, and who are not financially independent are not eligible for JobKeeper. This clarification will apply prospectively which would mean an eligible employer that has already met the wage condition could be entitled to a JobKeeper payment in arrears for that fortnight.

Steps to enrol

A central part of receiving the benefits of the JobKeeper package is of course for you to put your hand up and let the government know is is required. Your employees will also have a form to fill out and return.

Before you enrol for JobKeeper, you need to complete the JobKeeper employee nomination notice to:

- Notify eligible employees that you intend to participate in the scheme
- Ask them if they agree to be nominated and receive payments from you as part of the scheme.

Finally note that the JobKeeper rules are something of a moving feast at the moment and therefore is is vital to get professional assistance in relation to eligibility for the support. Source: Butler Settineri



COVID-19 instant asset write-off and accelerated depreciation

While many of the COVID-19 stimulus changes such as the JobKeeper payment are grabbing headlines, it is easy to overlook the significance of the \$150,000 instant asset write off provisions.

The key changes for the instant asset write off include the following:

- Certain business entities can access an immediate deduction for the full cost of depreciating assets costing up to \$150,000 (GST exclusive).
- The asset must be used, or installed ready for use, for a “taxable purpose “during the period 12 March 2020 to 30 June 2020.
- The write-off will be available to businesses with an “aggregated turnover ” of less than \$500 million.

Note that for a car that costs above the luxury car cost limit, only the cost limit of the car can be claimed as an immediate tax deduction in the period to 30 June 2020. This is because the relevant provisions refer to the “adjustable value” of the asset and the first element of the cost of a car is reduced to the car limit if the cost exceeds that limit.

The instant asset write-off threshold will also be increased to \$150,000 for amounts included in the second element of as asset’s cost (typically, subsequent capital expenditure) provided.

- The cost of the related asset was subject to the instant asset write-off in an earlier year and
- The amount is included in the second element of the asset’s cost during the period from 12 March 2020 to 30 June 2020.

The threshold will also be increased to \$150,000 for the balance of an entity’s general small business pool that can be claimed as a deduction at the end of an income year for income years that end on or after 12 March 2020, but before 1 July 2020.

Accelerated depreciation

Businesses with an aggregated turnover of less than \$500 million in an income year can deduct capital allowances for a qualifying depreciating asset at a rate of 50% of its cost. This is in addition to the normal depreciation that is claimed on the cost of the asset after deducting the 50% amount.

A qualifying depreciation asset must satisfy several conditions, including:

- it must be new and not have been previously held by another entity (other than as trading stock or for testing purposes)
- it is an asset for which an entity has not claimed depreciating deductions, including under the instant asset write-off rules, and
- it is first held, and first used or installed ready for use, for a taxable purpose between 12 March 2020 and 30 June 2021.

It should also be noted that a small business entity (that is, an entity with turnover below \$10 million using the simplified depreciation rules) can deduct depreciation at the rate of 57.5% for the “taxable purpose” proportion of the cost (or the adjustable value) of a “Qualifying depreciating asset” where it is added to the general small business pool and it is held and used, or installed ready for use, between 12 March 2020 and 30 June 2021 (inclusive)

From 1 July 2020, the instant asset write-off threshold will revert to its original level of \$1,000 (unless legislative changes are made in the meantime) and will only be applicable for businesses with an aggregated turnover of less than \$10 million. Source: Butler Settineri



Early release of super under coronavirus – processing issues

The ATO has provided additional information on some practical processing issues arising from early release of super under compassionate ground – coronavirus. However, the majority of applications are processed without any issues and within five business days.

Can a determination be revoked or changed?

Generally, once a determination has been made by the ATO it cannot be revoked. However, it can be revoked only if a genuine error has been made. In these situations, the ATO will work directly with the client to determine the circumstances and whether a genuine mistake occurred.

If a genuine mistake has been made, the ATO will not notify a super fund trustee if a determination has been revoked. In some situations, the payment may have already been processed. In these cases, it is a valid payment and no breach of the payment standards has been made.

While the fund member cannot request more than the determination or amend an existing determination, if the ATO does revoke a determination then the person can request a new determination. For example, a person might ask for \$10 instead of \$10,000 and the ATO may have sent a determination for this amount to the fund, which then processed the payment. If the ATO agrees that this was a genuine mistake and revokes the determination, then the person can ask for a new determination of up to \$9,990. The fund is not required to check whether more than one determination is received.

In situations where a client has nominated an insurance-only super fund with no account balance, the support fund is required to notify the client and the ATO that no payment could be made. The ATO will then work with the client to ascertain if a genuine error was made.

If a client has a change of mind, this is not considered a genuine error and therefore the determination cannot be revoked. A change of mind could arise if the member wants to.:

- Increase or decrease the amount to withdraw
- Nominate a different super fund, or
- Cancel the application

What if the client has requested a rollover and a determination is received?

If a rollover request has been received or already commenced to be processed when a determination is advised by the ATO, it is up to the super fund trustee to determine the order of those transactions. This could be influenced based on which stage the rollover sits in processing cycle. Individual providers should be contacted if this situation arises.

If the rollover has already been processed and the account balance is less than the determination amount, the super fund will advise the ATO. The ATO will work directly with the client to determine if a genuine error occurred in their application.

Why is there a delay in the super fund processing a determination?

There are two likely situations where there is a delay in the payment.

Firstly, super trustees need to ensure that certain information is correct. In some cases, details provide by the ATO (which is based on the application information) may be different from that held on file by the super fund or may be incomplete. Examples include a digit missing from bank account number and different bank account or name details. It is the responsibility of the super fund to contact the client and resolve these issues.

A delay may also arise where the ATO has provided information to the super fund but has noted that this withdrawal should not be processed. This may be immediately or at a later date. This can arise if the ATO identifies an issue with application such as fraud. The payment will not proceed until the ATO has resolved any issues and provided instructions to the super trustee. In these cases, clients should discuss the application directly with the ATO. Source: MLC

Contribution flexibility for older Australians

On 13 May 2020, the Government introduced legislation to increase the age at which contributions can be made:

- Without meeting the work test
- Utilising the bring-forward rule, and
- On behalf of a spouse.

These measures were originally announced in the 2019/20 Federal Budget with a proposed start date 1 July 2020 and are contained in:

- [Treasury Laws Amendment \(More Flexible Superannuation\) Bill 2020](#), and
- Superannuation Legislation Amendment (2020 Measures No. 1) Regulations 2020 (not available yet).

Work test and bring forward rule

The work test will no longer need to be met to make voluntary contributions to superannuation from 1 July 2020 for those ages 65 and 66. This means the work test requirements will align with Age Pension age, which will reach age 67 from 1 July 2023.

The ability to utilise the bring-forward rule will also be amended to allow individuals less than age 67 (on 1 July of a financial year) to contribute a greater amount to superannuation.

There is no change to other criteria, such as the total superannuation balance, which limits the ability to make non-concessional contributions.

The removal of the work test would provide the opportunity for eligible clients to:

- Make non-concessional contributions
 - Make concessional contributions including catch-up contributions
 - Implement the re-contribution strategy
 - Manage tax, including capital gains tax
 - Claim the spouse contribution tax offset or co-contributions (if eligible)
 - Make contributions under the small business CGT concessions, and
 - Transfer foreign superannuation into an Australian superannuation account.
- Source: MLC

Should you wish to discuss any aspect of the information contained in this document, please contact your Financial Planner

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