Autumn Edition 2022

Kelly&Associates
Chartered Accountants & Business Advisers

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CLIENT INFORMATION BULLETIN

Welcome to the Autumn edition of our Newsletter. In this edition, we examine the recent changes to superannuation providing opportunities for older Australians to contribute to their super, draft ATO guidance that has significance for family trust distributions and also remind employers of their obligations under Single Touch Payroll. We review the extension of various pandemic support measures including the full expensing of eligible depreciable asset provisions, the SME recovery loan scheme and temporary loss carry-back measures. Further, we highlight wage subsidies available under the Jobs Victoria Fund, ATO support for businesses and remind company directors of the requirement to apply for their Director Identification Number.

In our staff and client news section we are delighted to announce the arrival of two beautiful baby boys! We also acknowledge the success of our clients at the Winter Olympics, remind you of our footy tipping and share a classic recipe.

Finally, we wish all our clients a happy and safe Easter. We hope you have a relaxing break and enjoy the opportunity to spend time with family and friends.

Superannuation Changes

Recent legislative reforms introduced by the Government will reduce complexity and make it easier for Australians to contribute to their superannuation. In particular, there are significant measures to assist older Australians wanting to top up their superannuation savings for retirement. The superannuation changes include:

- Removing the work test for individuals aged 67 to 74 in relation to non-concessional and salary sacrificed contributions. With the scrapping of the work test from 1 July 2022, individuals aged 67 to 74 will be able to contribute to their superannuation regardless of their working status.
- Availability of the 'bring-forward' rule to individuals under the age of 75 (rather than 67, as is currently the case), effectively extending the eligibility to make non-concessional contributions.
- Reducing the eligibility age for making downsizer contributions from 65 to 60, from 1 July 2022. The downsizer scheme allows individuals or couples to make a one-off contribution into superannuation of up to $300,000 (or $300,000 each for a couple) from the sale of the family home, providing it has been lived in for a minimum of 10 years.
- Removing the $450 monthly super guarantee threshold, thus allowing those on lower incomes to receive superannuation guarantee contributions from their employer regardless of how much is earned each week. This measure applies from 1 July, 2022.
- Increasing the first home super saver scheme releasable amount from $30,000 to $50,000. Individuals will be able to make requests for release on or after 1 July 2022.

The changes are designed to simplify the superannuation rules and may present planning opportunities for some clients. There will be further consideration of the changes in relation to your circumstances during the tax planning process conducted in May and June.

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ATO Issues Guidance on Family Trust Distributions

In a significant development, the ATO has released a draft taxation ruling and draft practical compliance guideline setting out the ATO's new compliance approach with respect to section 100A of the ITAA 1936, which is an anti-avoidance provision that has been around for over four decades.

The ATO's new guidance will challenge traditional family trust distribution strategies and impact the required thinking around resolutions as early as from 30 June 2022.

As we await finalisation of the ruling, we do remind clients that the guidance is in draft form at this stage. Prior to the closure of the draft ruling on 8th April, accounting and industry leaders are expected to lodge submissions with the ATO, expressing concerns in relation to various aspects.

Please be assured that we will continue to monitor developments in relation to the family trust measures and will address them in relation to your individual circumstances when we conduct your pre 30 June tax planning.

Single Touch Payroll Update

Single Touch Payroll Extension - STP Phase 2

With the expansion of the requirements of Single Touch Payroll (STP) to include additional reporting of employee and earnings data, employers are reminded of their responsibility to ensure payroll files are 'STP Phase 2' compliant.

If you are unsure whether you are currently meeting your responsibilities under the expanded requirements, please check with your accountant. Clients using our bookkeeping service are advised that their payroll records have been updated and are Phase 2 compliant. Detailed instructions for our QBO users have been emailed directly and are available on our website.

Small Employers & STP - The ATO Gets Serious

With the expansion of STP reporting to 'Phase 2', the ATO advised it has begun a 'failure to lodge' penalty process in relation to small business employers (i.e., those with 19 or fewer employers) who have **yet to commence** STP reporting, despite STP being mandatory for most small employers since 2020.

The ATO advised that all remaining non-compliant small employers (i.e., those not subject to any appropriate reporting extensions or exemptions) will have been issued pre-penalty warning letters from 18 February 2022. Where an employer receives a pre-penalty warning letter, they will have a further 28 days to take action by either starting to lodge or contacting the ATO before a failure to lodge penalty will be imposed.

If you require any STP assistance please contact our office.

Jobs Victoria Fund - Wage Subsidies

The Victorian Government has announced wage subsidies of up to $20,000 per employee to support businesses to hire new staff or increase the hours for current workers. To be eligible, jobs must be for at least 19 hours per week (unless the employee has a disability or provides constant care) and the person employed must be from one of the priority groups most impacted by the pandemic (including for example, people aged under 25 or over 45, long-term unemployed, Aboriginal and/or Torres Strait Islander, people with a disability, single parents and/or veterans.

To consider your eligibility, please refer to the Jobs Victoria Fund website: https://jobs.vic.gov.au/help-for-employers/jobs-victoria-fund.

Full Expensing 12-month Extension Now Law

The Government has now passed legislation to allow the temporary full expensing measures to be extended by 12 months until 30 June 2023. This extension will allow eligible businesses to deduct the full cost of certain depreciating assets. A full deduction will automatically apply for eligible expenditure incurred from 7.30pm AEDT on 6 October 2020 until 30 June 2023.

Government Extends SME Recovery Loan Scheme to 30 June 2022

The Government has recently extended the SME Recovery Loan Scheme by a further six months (to 30 June 2022) to support SMEs adversely economically affected by the Coronavirus Pandemic.

Under the Scheme, eligible businesses can obtain loans through participating bank and non-bank lenders with the backing of a Government loan guarantee.

Around 80,000 loans worth approximately $7.3 billion have been written to date since the Scheme commenced in March 2020.

SMEs who are dealing with the economic impacts of COVID-19 with a turnover of less than $250 million will be able to access loans of up to $5 million over a term of up to 10 years.

Other key features of the Scheme include the following:

- Lenders can offer borrowers a repayment holiday of up to 24 months.
- Loans can be used for a broad range of business purposes, including to support investment.
- Loans may be used to refinance any pre-existing debt of an eligible borrower.
- Loans can be either unsecured or secured (excluding residential property).

Importantly, the Government's loan guarantee has been reduced to 50% (down from 80%) for loans available from 1 January 2022 until 30 June 2022.

12-month Extension of the Temporary Loss Carry-Back Measure

As announced in the 2020/2021 Federal Budget, legislation has now passed to allow eligible corporate entities (i.e., with, amongst other things, an aggregated turnover of less than $5 billion) a 12-month extension to claim a loss carry-back tax offset in the 2023 income year.

The temporary loss carry-back rules were initially implemented in 2020 to promote economic recovery by providing cash flow support to previously profitable companies that fell into a tax loss position due to the COVID-19 pandemic.

The law allows eligible companies to carry-back tax losses from 2020, 2021, 2022 and now the 2023 income year to previously-taxed profits in the 2019 or later income years.

A company that does not elect to carry back losses under this temporary (yet extended) measure is still eligible to carry losses forward as usual.

ATO Support for Businesses in Difficult Times

The ATO has reminded taxpayers that it has a range of support available for small businesses experiencing difficult situations, such as natural disasters, mental health challenges or financial hardship.

Depending on the business taxpayer's circumstances, the ATO may be able to:

- give the business extra time to pay its tax;
- set up a payment plan tailored to its situation;
- re-issue tax returns, activity statements and notices of assessment;
- help the business reconstruct lost or damaged tax records;
- prioritise any refunds the business is owed; and
- remit penalties or interest charged during the time the business has been affected.

If your business is in financial difficulty and needs support, please contact our office and we can assist in finding a suitable solution.

New Director ID Regime Reminder

As outlined in our last newsletter, the Government has introduced a new **director identification number** (DIN) regime. The DIN is a unique identifier that a director will need to apply for once and will keep forever.

All directors must apply for a DIN, including directors of corporate trustees of self-managed super funds and of family trusts.

Individuals can apply for a DIN on the new Australian Business Registry Services (ABRS) website (abrs.gov.au).

Importantly, the due date by which individuals will need to apply depends on the date of appointment. Please refer to the summary below:

Date of Director Appointment	Date Directors Must Apply for ID
On or before 31 October 2021	30 November 2022
Between 1 Nov 2021 & 4 April 2022	Within 28 days of appointment
From 5 April	Prior to their appointment

Individuals need to apply for a DIN themselves to verify their identity, before the relevant deadline, and should only apply once via the abrs.gov.au website. **Once the DIN is received, please forward it to our office.**

We have provided step by step instructions on our website to assist you with the application process: https://kellyassoc.com.au/wp-content/uploads/2022/03/Director-Identification-Number.pdf

Please contact our office if you need any additional support with the DIN process.

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Higher PAYG Withholding Rates Continue to Apply to Backpackers

As we recently communicated, the High Court has held that the 'working holiday maker tax' (also known as the 'backpackers tax') did not apply to a taxpayer on a working holiday visa from the United Kingdom who was also an Australian tax resident.

This was due to the application of the Double Tax Agreement between Australia and the United Kingdom.

This tax treatment will only apply where the working holiday maker is both an Australian resident for tax purposes and from Chile, Finland, Japan, Norway, Turkey, the United Kingdom, Germany or Israel.

However, the ATO has recently told employers that the higher PAYG withholding rates continue to apply to working holiday maker employees.

This is regardless of the country they are from (unless the employer receives an PAYG variation notice from the ATO).

Broadly, the working holiday maker withholding rates apply as follows:

- If the employer is registered with the ATO as an employer of working holiday makers, they should withhold tax at the tax rate of 15% from the first dollar the working holiday maker employee earns up to $45,000.
- Tax rates change for amounts above $45,000.
- If the employer is not registered with the ATO as an employer of working holiday makers, they must withhold tax at 32.5% from every dollar the working holiday maker employee earns up to $120,000.
- The foreign resident withholding rates must be applied to income over $120,000.

If a working holiday maker employee has had excessive amounts of PAYG withheld from their salary, they can lodge a tax return at the end of the income year to receive a tax refund (where eligible).

Tax Deductibility of COVID-19 Test Expenses

After much speculation, the Government announced that COVID-19 tests, including Polymerase Chain Reaction ('PCR') and Rapid Antigen Tests ('RATs'), will be both:

- tax-deductible; and
- exempt from FBT;

broadly where they are purchased for work-related purposes.

This will require the introduction of new specific legislation (i.e., to clarify that work-related COVID-19 test expenses incurred by individuals will be tax-deductible or FBT exempt where employers provide the tests to their staff) which will apply both where an individual is required to attend the workplace or has the option to work remotely.

The Government intends that these changes take effect from the beginning of the 2022 income year and will apply permanently once enacted.

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Lodgement Obligations

Date	Description
21st each mth 2021/22	Monthly IAS lodgement due — All lodgements
28 April 2022	Superannuation guarantee contributions to be paid
28 April 2022	Quarterly IAS/BAS lodgement due — paper
26 May 2022	Quarterly IAS/BAS lodgement due — electronically
15 May 2022	Final lodgement date of 20/21 individual tax returns

Staff & Client News

It's raining babies here at Kelly & Associates and we are delighted and excited by our growing K&A family!

Mark's Baby News

Congratulations to Mark and his wife Lauren on the safe arrival of their third child! Little Austin is just three weeks old and has settled in well at home. Austin is getting lots of love and attention from his big brother Henry and big sister Alaina! We wish much happiness to the Hinkley family at this time.

Clare's Baby News

Late in December, Clare and her husband Adam welcomed their first child, a precious baby boy named Rory! Rory has been doing all the right things and is a great sleeper and eater. We hope you continue to enjoy your maternity leave Clare, and your days with gorgeous Rory!

Winter Olympic Success

We were thrilled by the successes of our clients at the recent Winter Olympics! Notably, Jakara Anthony bought home GOLD in the Women's Moguls. Interested followers of Jaraka's career, we congratulate her on her success in Beijing! We were excited to see XTM snow gear take centre stage, and congratulate Pete Forras and the XTM team on their involvement. Finally, we enjoyed the entertaining and informative commentary provided by presenter Jason Richardson, throughout the event!

Footy Tipping Reminder

It's not too late to join the Kelly & Associates Staff and Client Tipping Competition! Simply join via the link below. We note that the password to join is 'kellyassoc':
https://www.footytips.com.au/comps/Kellyassociates2022&p=kellyassoc

Wishing you a happy and safe Easter from Ambrose, Andrea and staff at Kelly & Associates!

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Rhonda's Passionfruit Vanilla Slice

The office was recently treated to Rhonda's homemade vanilla slice with passionfruit icing! This classic favourite sweet treat was so good, we had to share the recipe!

INGREDIENTS

2 sheets ready-rolled puff pastry
1 cup castor sugar
3/4 cup cornflour
1/2 cup custard powder
1 litre (4 cups) milk
60g butter
2 egg yolks, lightly beaten
2 teaspoons vanilla essence

PASSIONFRUIT ICING

2 cups icing sugar
1 teaspoon soft butter
2 tablespoons passionfruit pulp, strained
2 teaspoons water, approximately

SLICE METHOD

Line 23cm square slab pan with foil, bring foil up to overlap sides of pan.

Place pastry sheets on lightly greased oven trays, bake in hot oven about 6 minutes or until well browned, cool.

Gently flatten pastry with hand, fit 1 pastry sheet in prepared pan.

Combine sugar, cornflour and custard powder in pan, gradually stir in milk. Stir until smooth.

Add butter, stir over heat until mixture boils and thickens, simmer, stirring, about 3 minutes or until very thick and smooth. Remove from heat, stir in yolks and essence.

Pour hot custard over pastry in pan, top with remaining sheet of pastry, flat side up. Press down slightly, cool. Spread pastry with passionfruit icing.

Cut when set.

ICING METHOD

Sift icing sugar into small heatproof bowl, stir in butter, passionfruit juice and enough water to make a stiff paste.

Stir icing over hot water until spreadable.