

Practice Update

April 2020

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 fortnight**, 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 assessments, Fringe Benefits Tax assessments ('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.

Editor: 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.

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.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.