

APRIL
2021

LWK Pty Limited
ACN 121 288 373

A member of
Nexia
International

*Chartered Accountants
Business Advisers and Consultants*

The Bottom Line

- Business -



COVID-19 measures: how your business might be affected

JobKeeper scheme

The JobKeeper scheme ended on 28 March 2021. Your business does not have to do anything, but it will need to complete the March monthly business declaration by 14 April 2021. The final payment will be processed in April.

Your business must keep all relevant records for five years in case the ATO decides to look at its JobKeeper claims in detail.

Don't forget that JobKeeper payments are assessable and should be included in your business' tax return as income.

If your business has employees and their wages were effectively subsidised by JobKeeper payments, the full wages are still deductible.

If your business decides voluntarily to repay any JobKeeper payments it did not actually need, it will only get a tax deduction if the repayment is appropriate to achieve, or directed at achieving, the objectives of the business. According to the ATO, examples would include where a payment is made to:

- prevent reduction in business; or
- publicise and promote a business in the short-term.

Of course, as pointed out by the ATO, if your business deducts from the repayment the amount of tax paid on the payment, the tax outcome will be neutral.

If your business wishes to make a voluntary repayment, it should contact the ATO first as voluntary repayments cannot be made through usual ATO payment channels and require a special Payment Reference Number (PRN).

JobMaker hiring credit scheme

Under JobMaker, the Government may pay your business up to \$200 per week if it hires a new employee aged 16 to 29 and up to \$100 a week if it hires a new employee aged 30 to 35. The new employee must commence employment between 7 October 2020 and 6 October 2021.

Your business must register with the ATO by 30 April 2021 if it wants to make a claim for the first JobMaker period (1 February to 30 April 2021).

To qualify, the employee headcount and payroll must genuinely increase. Your business cannot claim JobMaker if it merely replaces an employee aged over 35 with one aged between 16 and 35.

JobMaker cannot be claimed for certain new employees, including:

- relatives, partners if your business is operated through a partnership;
- directors and shareholders if your business is operated through a company; and
- certain contractors and subcontractors your business engaged at any time between 6 April 2020 and 6 October 2020.

Tip! The JobMaker scheme is complicated. Contact your tax adviser if you think your business may qualify for JobMaker or if your business is thinking of hiring one or more new employees.

Stimulus vouchers: How to report this in your tax

Most States and Territories are providing assistance to help boost local economies affected by COVID-19. Many governments are doing this by issuing vouchers to eligible customers to pay towards purchases from eligible businesses for dining out, entertainment or accommodation.

If your business accepts stimulus vouchers from customers, you may be wondering how to deal with this for tax purposes.

When your business accepts a voucher, it needs to:

- treat the amount the voucher covers and the customer's payment as income;
- report GST on the total of payments received.

SME loan guarantee scheme

The Government has announced an extension of the SME Recovery Loan Scheme, as well as various changes to the Scheme. Phase 1 operated until 30 September 2020 and Phase 2 is due to end on 30 June 2021.

As a result of the changes, the Scheme will be open only to businesses (including self-employed individuals and non-profit businesses) with up to \$250 million turnover which received the JobKeeper payment between 4 January 2021 and 28 March 2021. Participating lenders will be offering guaranteed loans on the following terms:

- the Government guarantee will be 80% of the loan amount (up from 50%);
- lenders are allowed to offer borrowers a repayment holiday of up to 24 months (the time was previously unspecified);
- loans can be used for a broad range of business purposes, including to support investment (see below);
- borrowers can access up to \$5 million in total, in addition to the Phase 1 and Phase 2 loan limits;
- loans are for terms of up to 10 years (up from 5 years);
- loans can be either unsecured or secured (excluding residential property); and
- the interest rate on loans will be determined by lenders, but will be capped at around 7.5%, with some flexibility for interest rates on variable rate loans to increase if market interest rates rise over time (previously capped at 10%).

Lenders can offer any product suitable to the borrower – with the exception of credit cards, charge cards, debit cards or business cards. Loans issued under the Scheme may take any other form of credit, provided the Scheme's eligibility criteria are met.

Loans will be available from 1 April 2021 and must be approved prior to 31 December 2021.

Loans backed by the Scheme will be available through participating commercial lenders. The decision on whether to extend credit, and management of the loan, will remain with the lender.

Eligible loan uses

Loans may be used to refinance any pre-existing debt of an eligible borrower, including those from Phase 1. Loans that are more than 30 days in arrears cannot be refinanced and borrowers who have entered external administration, or are insolvent, cannot refinance debts.

Loans can be used to purchase non-residential real property (such as commercial property) or for the acquisition of another business.

Loans issued under the Scheme can be used to refinance existing loans or for a broad range of businesses purposes (including to support investment) but cannot be used to purchase residential property or financial products and cannot be lent to an associated entity. Loans also cannot be used to lease, rent, hire or hire purchase existing assets that are more than half way into their effective life.



FBT issues

New FBT thresholds and rates for 2021–22

The ATO has released new thresholds and rates for the 2021–22 fringe benefits tax (FBT) year (the year commencing on 1 April this year):

- statutory or benchmark interest rate (e.g. for loan fringe benefits) – 4.52%; and
- record keeping exemption (also relevant for eligibility to use the base rate method to calculate FBT) – \$8,923.

The cents-per-kilometre rates (for where a motor vehicle other than a car is used privately) are:

- vehicles with an engine capacity of up to 2,500cc – 56 cents/km;
- vehicles with an engine capacity of over 2,500cc – 67 cents/km; and
- motorcycles – 17 cents/km.

The car parking threshold for 2021–22 will be announced once the relevant CPI figure is available.

Living-away-from-home allowances

The ATO has issued the weekly amounts of food and drink expenses incurred by employees receiving a living-away-from-home allowance (LAFHA) fringe benefit that it treats as being reasonable for the 2021–22 FBT year. These amounts may be relevant in working out the FBT payable on the LAFHA benefits.

The reasonable weekly amounts for employees in Australia are set out in the table below. See Taxation Determination [TD 2021/3](#) for the 2021–22 reasonable weekly amounts for employees outside Australia.

Amounts of reasonable food and drink – within Australia

| | Per week \$ |
|-------------------------|-------------|
| 1 adult* | 283 |
| 2 adults | 425 |
| 3 adults | 567 |
| 1 adult and 1 child | 354 |
| 2 adults and 1 child | 496 |
| 2 adults and 2 children | 567 |
| 2 adults and 3 children | 638 |
| 3 adults and 1 child | 638 |
| 3 adults and 2 children | 709 |
| 4 adults** | 709 |

*An adult is a person who attained the age of 12 years before 1 April 2021.

** For larger family groupings, add \$142 for each additional adult and \$71 for each additional child.

Tip! If your business provides LAFHA fringe benefits to employees, talk to your tax adviser if uncertain whether the food and drink expenses need to be substantiated, or if uncertain how to work out the amount of FBT that is payable.

FBT exemptions

If your business provides fringe benefits to employees, there are a number of FBT exemptions that are likely to be more significant during the COVID-19 pandemic.

Work laptop, other portable electronic device and tools of trade

Your business may have given or loaned certain eligible work-related items to employees to facilitate them working at home, or may have reimbursed them for expenditure they incurred on such items.

An eligible work-related item is exempt from FBT (including where the cost is reimbursed) if it is:

- primarily for use in the employee's employment; and
- not a duplicate of something with a substantially identical function that has already been provided to the employee in the FBT year (unless it is a replacement). There is an exception for small and medium businesses (see below).

An eligible work-related item is:

- a portable electronic device – e.g. a laptop, tablet, smart phone and calculator, but not a desktop computer;
- computer software;
- protective clothing;
- a briefcase; and
- a tool of trade.

A small business (aggregated annual turnover less than \$10 million) can provide multiple portable electronic devices to an employee and claim the exemption for each item, even where the items have substantially identical functions.

This exemption for multiple devices will be extended from 1 April 2021 to businesses that have an aggregated annual turnover of at least \$10 million but less than \$50 million.

General office equipment

If your business lends general office equipment (e.g. desks, chairs, cabinets, stationery and computer monitors) to employees during temporary working from home arrangements due to COVID-19, the relevant fringe benefit is exempt from FBT if:

- the equipment is ordinarily located on business premises; and
- is wholly or principally used directly in connection with business operations.

The ATO considers that office equipment that your business loans to an employee to support a working from home arrangement that will continue on a long-term basis is unlikely to be exempt.

However, a fringe benefit may be exempt if your business makes a “no-private-use declaration” that covers all office equipment loaned to employees to support their working from home arrangements where:

- the equipment is subject to a consistently enforced policy in relation to its use; and
- this use means the benefits would have a taxable value of nil.

The exemption is not lost just because there is some incidental use of the equipment outside of work hours while it is located at an employee's home.

Counselling and health care

Counselling services provided to support an employee's working from home arrangement may be exempt from FBT under the rules for work-related counselling. Similarly, health care provided to an employee to support their working from home arrangement may also be exempt from FBT if it is the provision of work-related preventative health care.

Minor benefits

Where the taxable value of an item (or the amount reimbursed) is less than \$300 (including GST), the benefit will be exempt if it qualifies a minor benefit. This depends on the frequency and regularity with which similar or identical benefits are provided.

Tip! If you are uncertain whether any fringe benefits your business provides to employees are exempt, e.g. as a minor benefit, or how to calculate the taxable value of any benefits that are not exempt, talk to your tax adviser. For example, the otherwise deductible rule may apply to reduce the taxable value of a fringe benefit.

FBT return

Don't forget that your business must lodge its FBT return for 2020–21, and pay any FBT liability, by 21 May 2021. This date may differ if the return is lodged through a tax agent.

The ATO may grant an extension of time to lodge and pay if your business is experiencing difficulties because of COVID-19 or floods.



Do you use trading stock for private purposes?

It is common for certain business owners (e.g. sole traders, individuals and partnerships, etc.) to use trading stock for private purposes. If you do this, you are treated as having sold it for its cost just before you use it and as having bought it back for the same amount.

Because it is difficult in many cases to keep accurate records of transactions involving goods taken from stock for private use, the ATO publishes each year standard values (excluding GST) that can be used by proprietors of certain businesses. The latest amounts (for the current tax year ending on 30 June 2021) were published in early January (in Taxation Determination [TD 2021/1](#)).

| TYPE OF BUSINESS | AMOUNT (EXCLUDING GST) FOR ADULT/CHILD OVER 16 YEARS | AMOUNT (EXCLUDING GST) FOR CHILD 4 to 16 YEARS OLD |
|---|--|--|
| Bakery | \$1,350 | \$675 |
| Butcher | \$900 | \$450 |
| Restaurant/café (licensed) | \$4,640 | \$1,810 |
| Restaurant/café (unlicensed) | \$3,620 | \$1,810 |
| Caterer | \$3,830 | \$1,915 |
| Delicatessen | \$3,620 | \$1,810 |
| Fruiterer/greengrocer | \$930 | \$465 |
| Takeaway food shop | \$3,670 | \$1,835 |
| Mixed business (includes milk bar, general store and convenience store) | \$4,460 | \$2,230 |

Do you operate your business through a company or trust?

It is fairly common for professionals, such as IT specialists, engineers and business consultants, to operate their business through a company or a trust. If you are in this position, you need to be aware of the rules that will treat the income earned by the company or trust from the provision of your own services (personal services income or PSI) as your personal income. These rules (the PSI rules) also deny a deduction for certain types of expenditure.

The ATO has issued a draft ruling (TR 2021/D2) providing general guidance on the operation of the rules. The draft ruling considers a number of issues including:

- the meaning of PSI and income that does not qualify as PSI;
- determining whose PSI it is;
- the effect of the PSI rules; and
- the various tests to determine if a PSB is being carried on (the results, unrelated clients, employment and business premises tests).

Even if the PSI rules do not apply where your services are hired out through a company or trust, the ATO points out that the general anti-avoidance rules may still apply to the arrangement.

Tip! The PSI rules (and the general anti-avoidance rules) are complicated. Talk to your tax adviser if you provide your services through a company or trust or are thinking of doing it.



From the ATO

Easier to pay your tax bill

The ATO has improved how your business can use and manage its credit or debit card details in Online services for business, making it easier to pay a tax or super bill.

The new payment features allow your business to:

- add and manage up to three credit or debit cards in its account profile;
- set up a payment plan with automatic direct debits from a card;
- make one-off payments using a card.

Online services for business offers a simplified process to make it easier to create a payment plan if your business owes less than \$100,000.

If you're worried your business will have difficulty paying on time, or are having trouble setting up a payment plan online, you can contact the ATO on 13 11 42 for help (or talk to your tax adviser).

Check your business' PAYG instalments

Now is a good time to check your business' pay as you go (PAYG) instalments still reflect its expected end of year tax liability.

If the business' circumstances have changed and you think it will pay too much (or too little) in instalments for the year, the instalments can be varied on the next activity statement.

Instalments can be varied multiple times throughout the year. The varied amount or rate will apply for the remaining instalments for the tax year or until another variation is made.

If your business is affected by COVID-19, the ATO has said it will not apply penalties or charge interest to varied instalments relating to the 2020–21 tax year. This applies when the business has made its best attempt to estimate its end of year tax liability.

If an amount or rate is varied online, paper activity statements and instalment notices will no longer be issued. These will be issued electronically. Your business will need to consider this when deciding how to lodge, revise and vary future activity statements and instalment amounts.

Tip! Registered tax agents and BAS agents can help you with your business' activity statements and tax returns.

STP reporting: Changes from 1 July 2021

If your business has employees, it should be reporting through Single Touch Payroll (STP) unless it only employs closely held payees or is covered by a deferral or exemption.

There are some changes to STP reporting from 1 July 2021:

- small employers (less than 20 employees) with closely held payees must report their closely held payees through STP. You can choose to report these payees each pay day, monthly or quarterly;
- the STP quarterly reporting concessions for micro employers (less than 5 employees) will only be available to employers who meet certain eligibility requirements, including the need for exceptional circumstances to exist. Employers can apply for this concession through the online deferral tool from 1 July 2021.

A closely held payee is an individual directly related to the entity from which they receive payments, e.g.:

- family members of a family business;
- directors or shareholders of a company;
- beneficiaries of a trust.

Further changes will start on 1 January 2022. We will advise you of those nearer the date.

Tip! Talk to your tax adviser if your business has employees and it has not started reporting through STP but does not have a deferral or exemption. It needs to start reporting now.

Bad debts

Your business may be able to claim a deduction for income that cannot be recovered from a customer or debtor. This unrecoverable income is known as a “bad debt”.

If your business accounts for assessable income on an *accruals basis*, an amount your business earns may be included in assessable income before payment is received (this cannot happen if your business accounts for assessable income on a *cash basis*). If your business determines there is no or little likelihood that an amount included in assessable income will be recovered from the debtor, that amount may be deductible as a bad debt.

To claim a deduction for the assessable income that cannot be recovered, your business needs to write off the unpaid amount as a bad debt (see below).

If your business subsequently recovers an amount that it wrote off as a bad debt and claimed as a tax deduction, the amount recovered must be included in its assessable income when it receives it.

Writing off a debt as bad is not the same as waiving or forgiving a debt. There are different tax consequences for debt forgiveness or waiver and there may also be tax consequences for the debtor.

How to write off a debt as bad

To claim a bad debt deduction for an amount included in your business' assessable income that has not been recovered, it must:

- include the income in a tax return (whether in the current tax year or an earlier year);
- determine the debt is bad - there must be a debt owing to your business and it must be genuinely bad (i.e. it is unlikely to be recovered through any reasonable and commercial attempts); and
- write off the debt - this means that your business must have made the decision to write off the debt and recorded that decision in writing before the end of the tax year in which deduction is claimed.

If your business is a company, it must also satisfy the continuity of ownership or continuity of business test, as appropriate.

GST consequences

If your business has made a taxable sale and has paid GST to the ATO for that sale, but it has not received the consideration, either in whole or in part, and the debt is written off as bad, your business can claim a decreasing adjustment for the bad debt.

Tip! Talk to your tax adviser if your business is owed money – you may be able to claim a tax deduction.



Other matters to consider

Company tax rate

The tax rate for companies with an aggregated turnover under \$50 million will reduce from 26% to 25% from 1 July 2021. The tax rate for other companies will remain at 30%.

Employees now have more choice with super

Changes to the law mean new workplace determinations and enterprise agreements made on or after 1 January 2021 must offer employees the right to choose the super fund to which your business pays their compulsory super contributions.

Once a new determination or agreement is in place, your business will need to offer choice of super fund to:

- existing employees who request to choose their super fund;
- all new employees;

Employees can nominate their chosen fund by completing the standard choice form through ATO online services linked to their myGov account.

Alternatively, your business can give its employees a Superannuation standard choice form to complete. Your business must then pay the employee's compulsory super to their nominated fund.

If an employee doesn't nominate a fund, your business can continue to pay their super to the same fund it previously contributed to, or into the default fund.



Key tax dates

| Date | Obligation |
|---------------|---|
| 14 April 2021 | March JobKeeper monthly business declaration due |
| 21 April 2021 | Lodge and pay March 2021 monthly BAS |
| 28 April 2021 | Lodge and pay March 2021 quarterly BAS Pay March 2021 quarterly instalment notice Employee super guarantee contributions due |
| 11 May 2021 | 2021-22 Federal Budget |
| 21 May 2021 | Lodge and pay April 2021 monthly BAS Lodge and pay annual FBT return (if your business lodges one) |
| 28 May 2021 | Lodge and pay March 2021 quarterly SGC (if required) |
| 28 June 2021 | Lodge and pay May 2021 monthly BAS |
| 28 July 2021 | Lodge and pay June 2021 quarterly BAS Lodge and pay June 2021 monthly BAS Pay June 2021 quarterly instalment notice Employee super guarantee contributions due |

Disclaimer

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. 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. This information is subject to copyright. Prior permission must be obtained to reproduce this information in any format.