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Federal Government releases economic update

On 23 July 2020, Federal Treasurer Josh Frydenberg released the Economic and Fiscal Update July 2020, outlining the key COVID-19 policy response measures announced by the Government since March 2020. The Treasurer said the Government has provided economic support for workers, households and businesses of around $289 billion (14.6% of gross domestic product) in response to the pandemic.

The economic update incorporated the extension of JobKeeper payments for six months beyond its legislated finish date of 27 September 2020. The total cost of the extended JobKeeper regime is now estimated to be $85.7 billion over 2019–2020 and 2020–2021.

While the update did not include any major new financial support measure announcements, it brought information about a range of other changes, including that:

- the Government will extend the application period to 31 December 2020 for the early release of superannuation (tax-free) by those dealing with adverse economic effects of COVID-19;
- the Supporting Apprentices and Trainees (SAT) wage subsidy will be extended for a further six months to 31 March 2021, and expanded to include medium-sized businesses;
- a full income tax exemption will be provided for Australian Defence Force (ADF) personnel deployed on Operation Orenda as part of the United Nations Multidimensional Integrated Stabilisation Mission in Mali;
- the start date for the 2015–2016 Budget measure to allow the ATO to pay lost and unclaimed superannuation amounts directly to New Zealand KiwiSaver accounts has been revised; and
- the start date of the proposal to prevent super funds from transferring new amounts to eligible rollover funds will be deferred by 12 months.

The Economic and Fiscal Update was never meant to be a “mini budget”, and the Federal Budget will be handed down on 6 October 2020. Mr Frydenberg has previously indicated that the Government is looking at the timing of the legislated personal income tax cuts and may consider bringing them forward as part of the Budget in October.

Instant asset write-off further extended

If you’ve purchased assets for your business, remember that you may be eligible to claim an immediate deduction in your 2019–2020 and 2020–2021 tax returns under the instant asset write-off, which was recently further expanded.

From 12 March to 31 December 2020 inclusive, the instant asset write-off threshold for each asset increased to $150,000 (up from $30,000) for business entities with aggregated annual turnover of less than $500 million (up from $50 million).

To get it right, remember:

- check if your business is eligible;
- both new and secondhand assets can be claimed, as long as each asset costs less than $150,000;
- assets must be first used or installed ready for use between 12 March and 30 June 2020 (to claim for the 2019–2020 year) or from 1 July to 31 December 2020 (to claim for the 2020–2021 year);
- a car limit applies for passenger vehicles;
- if the asset is for business and private use, only the business portion can be claimed;
- you can claim a deduction for the balance of a small business pool if its value is less than $150,000 at the relevant date (before applying depreciation deductions); and
- different eligibility criteria and thresholds apply to assets first used or installed ready for use before 12 March 2020.

JobKeeper extended, with changes

The Government has announced that JobKeeper payments will continue for six months beyond the legislated finish date of 27 September 2020, subject to revamped eligibility rules. Treasurer Josh Frydenberg said the Government will introduce two tiers of payment rates as part of "JobKeeper 2.0" to better reflect the pre-COVID-19 incomes of recipients.

The extension of JobKeeper from 28 September 2020 until 28 March 2021 will also include a requirement for businesses and not-for-profits to demonstrate an actual decline (not merely predict a decline) in turnover under the existing turnover test. The JobKeeper payment will also be stepped down and paid at two rates. Importantly, the existing arrangements for those receiving JobKeeper payments continue until 27 September 2020.

The JobKeeper payment ($1,500 per fortnight until 27 September) is to be reduced and paid at two rates.

Period	Rate per fortnight (full)	Rate per fortnight (<20 hours worked per week)
28 September 2020 to 3 January 2021	$1,200	$750
4 January 2021 to 28 March 2021	$1,000	$650

Businesses and not-for-profits will be required to nominate which payment rate they are claiming for each of their eligible employees (or business participants) and will have to meet a further decline in turnover test for each of the two periods of extension.

The eligibility rules for employees remain unchanged. Self-employed people will be eligible to receive the JobKeeper payment where they meet the relevant turnover test and are not a permanent employee of another employer.

JobKeeper payments to childcare providers end

The ATO's key JobKeeper information has been updated to note that payments for childcare providers stop from 20 July 2020.

This follows the Government's changes to transition certain approved providers of childcare services out of the JobKeeper scheme. The Government has instead decided to extend separate support to this sector by reintroducing the Child Care Subsidy and adding a Transition Payment as part of the Early Childhood Education and Care transition arrangements.

The changes mean that eligibility for JobKeeper payments ends from 20 July for:

- employees of an approved provider of childcare services where those employees whose ordinary duties are that they are engaged principally in the operation of the childcare centre; and
- eligible business participants where the business entity is an approved provider of a childcare service.

Childcare providers need to ensure that they do not claim JobKeeper for employees and eligible business participants who are no longer eligible. Likewise, childcare providers will not be reimbursed for payments made after JobKeeper Fortnight 8 (6 to 19 July 2020).

Coronavirus Supplement extended, with changes

The Government has announced that it will extend the temporary Coronavirus Supplement payment from 25 September to 31 December 2020 but the rate will be reduced from $550 to $250 per fortnight.

Since 27 April 2020, a Coronavirus Supplement of $550 per fortnight has effectively doubled the social security payments for job seekers, sole traders and students in receipt of the JobSeeker Payment, Sickness Allowance, Youth Allowance for jobseekers, Parenting Payment Partnered, Parenting Payment Single, Partner Allowance, Sickness Allowance and the Farm Household Allowance. Individuals eligible for these payments receive the full amount of the $550 Coronavirus Supplement on top of their payment each fortnight.

The Supplement will continue to be $550 per fortnight for payments up to and including the reporting period ending 24 September 2020. From 25 September to 31 December 2020, the Government will continue to pay the Supplement to existing and new income support recipients but at a reduced rate of $250 per fortnight.

The Government will also reintroduce a range of means testing, tapering and mutual obligation arrangements to ensure that social security payments are appropriately targeted.

ATO alert on fraudulence and non-compliance: COVID-19 measures

The ATO is on the look-out for fraudulent schemes designed to take advantage of the Government's COVID-19 stimulus measures. This includes JobKeeper, early release of superannuation, and boosting cash flow for employers.

The ATO will be using its wide array of data sources to assess and identify inappropriate behaviour. It has also established a confidential tip-off line for the public to raise concerns of any wrongdoing.

"We've received intelligence about a number of dodgy schemes, including the withdrawal of money from superannuation and re-contributing it to get a tax deduction. Not only is this not in the spirit of the measure (which is designed to assist those experiencing hardship), severe penalties can be applied to tax avoidance schemes or those found to be breaking the law. If someone recommends something like this that seems too good to be true, well, it probably is", ATO Deputy Commissioner Will Day said.

Mr Day said the ATO will be conducting checks, "so if you've received a benefit as part of the COVID-19 stimulus measures and we discover you are ineligible, you can expect to hear from us. If you think this may apply to you, you should contact us or speak to your tax professional". Penalties for fraud can include financial penalties and prosecution, and even imprisonment for the most serious cases.

Top tax time myths for 2020 that slow down returns

The ATO has published a list of common mistakes and misconceptions taxpayers have around tax time:

- *bank details don't update themselves:* the ATO does not keep track of changes to bank nominations for taxpayers to receive tax refunds;
- *it's not okay to double dip:* it's important to remember that if you're claiming under the shortcut method (of working from home expenses), you cannot claim a separate additional deduction for any expenses you incur as a result of working from home;
- *home to work travel is not claimable*: generally, most people cannot claim the cost of travelling from home to work unless, they are required by their employer to transport bulky tools or equipment and there is not a safe place to store these at the workplace;
- *you can't just claim a flat $300 if you had no expenses:* you don't need receipts for claims of expenses up to $300, but you must have actually spent the money and be able to show the ATO;
- *work-related expenses need to be work-related*: taxpayers can only claim for expenses that are directly related to earning their income;
- *lodging earlier doesn't always mean getting your refund earlier*: each year the ATO automatically includes information from employers, banks, private health insurers (and this year JobKeeper for employees and JobSeeker amounts) in people's returns. Taxpayers are advised to include all relevant information if lodging before the ATO automatically updates the information, so as to avoid delays in the return.

Working from home deductions: "shortcut" rate extended

The ATO has extended, from 30 June 2020 to at least 30 September 2020, the "shortcut" rate for claiming work-from-home running expenses. This shortcut eligible taxpayers to claim running expenses incurred between 1 March 2020 and 30 September 2020 at the rate of 80 cents per work hour, provided they keep a record of the number of hours worked from home – for example, using a workplace timesheet.

People eligible to use the shortcut rate are employees and business owners who:

- work from home to fulfil their employment duties or to run their business during the period 1 March 2020 to 30 September 2020; and
- incur additional running expenses that are deductible under the tax law.

People who choose not to use the shortcut rate can instead:

- claim 52 cents per work hour for running costs plus claiming the work-related portion of phone and internet expenses, computer consumables, stationery and the work-related portion of the decline in value of a computer, laptop or similar device; or
- claim the actual work-related portion of all running expenses, which need to be calculated on a reasonable basis.

IGTO investigates ATO communication of taxpayer rights

The Inspector General of Taxation and Taxation Ombudsman (IGTO) has launched a new investigation into effective communication of taxpayers' rights to review, complain and appeal decisions made and actions taken by the ATO. The investigation will seek to understand and confirm how effectively, clearly and completely the ATO communicates appropriate information to taxpayers and their representatives on these taxpayers' rights.

In examining the taxation complaints service, the IGTO has observed that information on rights of appeal and opportunities to raise complains varies across different types of ATO-issued correspondence. In particular, the IGTO found in a number of investigations that ATO correspondence may not clearly and/or completely advise taxpayers and their representatives of their rights to review, complain and appeal.

Initially, the review will focus on ATO communications which concern debt decisions in relation to individuals and small business taxpayers as they have been deemed most "vulnerable".

After the initial stage, the review will also seek to confirm ATO communications around access to the Administrative Appeals Tribunal Small Business Taxation Division.

TIP: The investigation is open to submissions, observations, comments and suggestions on how to improve communication and awareness of taxpayers' rights of review. If you or your business has had a bad experience with the ATO in regards to your rights, we can help you make your voice heard.

Banks further extending loan repayment deferrals

The Australian Banking Association (ABA) has announced a new phase of support to assist customers to get back to making their loan repayments. With the six-month loan repayment deferral period set to end on 30 September, the ABA said customers with reduced incomes due to COVID-19 will be eligible to apply for an extension of their deferral for up to four months.

A deferral extension of up to four months will not be automatic. It will only be provided to those who genuinely need some extra time. Bank customers with reduced incomes and ongoing financial difficulty due to COVID-19 will be contacted as they approach the end of their initial deferral period. Wherever possible, borrowers are expected to return to a repayment schedule through a restructure or variation to their loan.

Super contributions beyond age 65 from 1 July 2020

The Assistant Minister for Superannuation Senator Jane Hume has welcomed the recent amendments to Australia's superannuation regulations that allow more people to make voluntary superannuation contributions from 1 July 2020.

The changes allow people aged 65 and 66 (ie under age 67) to make voluntary super contributions (both concessional and non-concessional) without meeting the work test. The amendments bring these contribution rules into line with those for individuals under 65 years, providing greater flexibility to make contributions as people approach retirement. The age limit for making spouse contributions has also been increased from 69 to 74 from 1 July 2020.

These changes to the super contributions rules were previously announced in the 2019–2020 Federal Budget. Another change in that Budget package will allow people aged 65 and 66 to make up to three years of non-concessional contributions (up to $300,000) under the bring-forward rule from 1 July 2020.