

JULY 2020 QUARTER TAX HIGHLIGHTS

Let us hope this new financial year is not as tumultuous as the last few months. This newsletter highlights changes that you should be aware may impact on your business and on you personally. Please contact us to discuss any of the measures.

Extension of the instant asset write off

Good news is that the instant asset write off of \$150,000 has been extended for another 6 months to 31 December 2020. Businesses with an aggregated turnover of less than \$500 million can qualify.

Note that for cars, the write off is limited to the depreciation car limit. However from 1 July 2020 this has increased to \$59,136 (previously it was \$57,581).

Second lot of cash flow boost payments

If you received cash flow boost payments in the last financial year, you will receive the same again this financial year between July and October 2020. The amounts are tax free and not subject to GST.

The payments are automatically delivered by the Australian Taxation Office (ATO) as a credit in the BAS or IAS when it is lodged.

They will be delivered in either two or four instalments, depending on whether you lodge monthly or quarterly. Quarterly lodgers will receive 50% of the second Boost in the June 2020 quarter and 50% of the second Boost in the September 2020 quarter. Monthly lodgers will receive 25% of the second Boost in each of the following months in 2020: June, July, August and September.

12 month extension for certain repayments of private company loans

The ATO has granted a 12-month payment extension to 30 June 2021 for COVID-19 affected borrowers required to make a minimum yearly repayment on a loan from their private company.

The ATO says that as a result of the COVID-19 situation, it understands that some borrowers are facing circumstances beyond their control.

Borrowers can request the extension by completing a streamlined online application on the ATO website. The ATO says it will ask the borrower to confirm the shortfall, that the COVID-19 situation has affected them, and that they are unable to pay the minimum yearly repayment as a result.

Those affected can expect a response from the ATO within 5 business days of lodging the application form.

Transitional period for GST withholding on certain real property sales has ended

The GST withholding regime requires that payment of the GST liability on the sale of new residential premises or potential residential land be made directly to the ATO by the purchaser of the property at the time of settlement. As well there are notification requirements that must be satisfied by the seller prior to settlement.

Transitional provisions provided that contracts which were entered into **before 1 July 2018** were not subject to the GST withholding regime, provided that payment (other than a deposit) was made **on or before 30 June 2020**. Contracts for sale not settled by 30 June 2020 are now subject to the withholding rules.

Older contracts should be reviewed to ensure they include clauses specifically dedicated to the GST withholding obligations of both parties.

Generally, the GST withholding rate is 1/11th of the contract price. The contract price does not include the value of any usual settlement adjustments that are calculated at the time of settlement (e.g. rates and taxes).

If the margin scheme applies to the contract, the withholding rate is 7% of the contract price.

If the supply of the property is between associates and is without consideration, or is for consideration that is less than the GST-inclusive market value of the supply, the withholding rate is 10% of the GST-exclusive market value of the supply.

Superannuation rates and thresholds for 2020-21

The **concessional contributions cap** remains unchanged at \$25,000 for 2020-21 and the **non-concessional contributions cap** is also unchanged at \$100,000 for 2020-21 (or \$300,000 under the bring-forward rule over 3 years, subject to the other eligibility requirements). From 1 July 2020, individuals under age 67 will qualify for the bring forward (previously you had to be under 65 in the financial year in order to qualify).

While the current super guarantee (SG) rate is not scheduled to increase from 9.5% to 10% until 1 July 2021, the "**maximum contribution base**" rose to \$57,090 per quarter for 2020-21 (up from \$55,270 for 2019-20).

Single touch payroll reporting – child support information

From 1 July 2020, employers can voluntarily report under the Single Touch Payroll (STP) rules to include employer withholding of child support deductions from salary or wages and child support garnishee amounts from salary or wages that are paid to the Child Support Registrar.

If employers choose to report under STP to the ATO, they will not also have to report the amounts to the Child Support Registrar.

Testamentary trusts and children

The law has been changed to ensure the tax concessions available to minors in relation to income from a testamentary trust only apply in respect of income generated from assets of the deceased estate that are transferred to the testamentary trust (or the proceeds of the disposal or investment of those assets).

The changes apply in relation to assets acquired by or transferred to the trustee of a testamentary trust estate on or after 1 July 2019.