Murray Business Solutions

CPA

Monthly Client Update

March 2021

Update your ABN ... or miss out!

Government agencies regularly access data contained in the ABN registration, and where this is not up-to-date the taxpayer may be missing out on stimulus measures, grants, and other government support.

This became painfully evident during the 2019-20 bushfires, and is now re-surfacing during COVID-19 when it was found that a concerning amount of ABN data was out-of-date.

The ATO and the Australian Business Register are making efforts to remind businesses and relevant taxpayers that it is essential to ensure ABN registration details are accurate and completely up-to-date.

It is a business owner's responsibility to make sure this is done (contact the Australian Business Register, see www.abr.gov.au). Once a business owner is aware of a

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About this newsletter

Welcome to Murray Business Solution's client information newsletter, your monthly tax and super update keeping you on top of the issues, news and changes you need to know. Should you require further information on any of the topics covered, please contact us via the details below.

T: 08 8232 1274 | E: info@murraybs.com.au

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Vehicle benefit FBT treatment changes under COVID-19

The special circumstances that coronavirus has thrown our way looks like having some very practical outcomes on certain areas of fringe benefits tax. One of the most prevalent and well-established category of fringe benefits centres on the provision and use of vehicles. The parking of a car, for instance, is a benefit that comes with very specific conditions regarding the taxable values that attract FBT.

A work car park closes

If, on a particular day, a business's office is closed due to COVID-19 and therefore the work car park is also closed, the employer will not have provided a car parking benefit as there will be no car space available for use by an employee for more than four hours between 7.00am and 7.00pm on that day.

The time during which the work car park is closed will not form part of the availability periods used to calculate the taxable value of a car space under the statutory method.

Closure of nearby commercial parking stations

If all of the commercial parking stations within a one kilometre radius of a business premises are closed on a particular day due to COVID-19, there will be no car parking benefits provided.

Reduced rates at commercial parking stations

If, on for example 1 April 2020, the lowest fee charged by all of the commercial parking stations within a one kilometre radius of a business premises for all-day parking was less than $9.15, the employer will not have provided a car parking benefit. For example, this may occur where all of the commercial parking stations have discounted their all-day parking rate due to COVID-19.

However, the reduced fee must not be substantially greater or less than the average of the lowest fee charged by a commercial parking station operator in the four weeks prior to 1 April 2020 or the four weeks after 1 April 2020. The ATO holds that the reduced fee is disregarded for the purpose of determining the lowest fee charged by a nearby commercial parking station if it does not meet this requirement.

Car returned to employer's business premises

An employer won't provide a car fringe benefit where a car is not supplied for an employee's private use or taken to be available for an employee's private use.

During a period of COVID-19 restrictions, a car that has been provided to an employee is not taken to be available for the employee's private use if all the following apply:

- the car is returned to the business premises
- the employee cannot gain access to the car
- the employee has relinquished an entitlement to use the car for private purposes.

The ATO says some factors that indicate a car is not taken to be available for an employee's private use during these restrictions include where:

- the employer requests that the car be returned to the business premises
- the employee does not have physical access to the car
- the business consistently enforces a policy that an employee cannot gain access to the car
- if the employee has made a choice to surrender the car, they cannot change that choice and obtain the ability to access the car
- the car is returned to the business premises and the employer applies the car to a different purpose (although a separate car benefit may arise if the car goes to another employee who applies it for private use).

continued overleaf ⇨

Update your ABN ... or miss out! *cont*

change to the business, details on the register must be altered within 28 days. Updating ABN details will ensure:

- the right people have the right permissions to act on behalf of a business
- government agencies have current information – for example, if emergency services need to contact businesses during natural disasters
- the entity is ready for new government services when they become available.

The fastest way to update details is through ABR online services. All changes made to your ABN online will take effect immediately. There is also a paper form that can be completed, and we can get a copy of this for you should you need it. Proof of identity may be required when you make changes to ABN details.

Note that a business can't update:

- business names
- legal names for individuals and sole traders who need to contact the ATO directly
- legal names for companies registered with the Australian Securities & Investments Commission (ASIC).

Name changes made by the ATO and ASIC will update the ABR automatically. ■

Vehicle FBT changes under COVID-19 *cont*

Garaging work cars at an employee's home

An employer may have been garaging work cars at employees' homes due to COVID-19.

The employer may not have an FBT liability depending on:

- the type of vehicle
- how often the car is driven, and
- the calculation method they choose for car benefits.

Log books

A business's employees' driving patterns may have changed due to the effects of COVID-19. If an employer uses the operating cost method, they may have an existing log book. They can still rely on this log book to make a reasonable estimate of the business kilometres travelled. They can also choose to keep a new logbook that's representative of business use throughout the year. ■

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.

A hand up for small businesses on cash flow

The ATO has produced a "Cash Flow Coaching Kit", which is a free resource and designed as a value-add advisory tool for small business owners. It does not replace any existing accounting or financial tools, although it can be used to complement software accounting packages.

With its tailored coaching conversations about cash flow management, the ATO's kit can be particularly useful in times of financial stress. Cash flow problems continue to be a major issue for small businesses, and may indeed be more so after the past year of COVID woes.

Research shows:

- almost half of small businesses are under financial pressure within the first year, and this often increases into years two and three of business
- 60% of small businesses cease operating within their first three to four years
- 90% of small business failures are due to poor cash flow
- small businesses who manage their cash flow effectively are more likely to succeed.

The resources in the kit can help small business owners better understand the actions they can take to manage their cash flow. This includes:

- learning the fundamental concepts of cash flow
- understanding how cash flows in and out of your business and ways to assess business viability
- scenario planning to identify possible actions to improve performance by increasing cash in or reducing cash out in your business. ■

The Cash Flow Coaching Kit is available in digital and paper versions. To access the digital version, email cashflowcoachingkit@ato.gov.au, or if you'd prefer a paper version please ask us.

Unexpected lump sum payment in arrears? There's a tax offset for that!

A lump sum payment in arrears is a payment you may receive that relates to earlier income years. The tax offset that can be utilised with these sorts of payments works to alleviate the problem of a taxpayer being expected to pay more tax in a year when a lump sum of back payments is received — where they would be disadvantaged by paying more tax than if the income had been spread over several income years.

The general rule is that employment income is assessable in the income year it is received, regardless of the period the payment covers. This is still the case, however the tax offset works to restrict the amount of tax payable to the same "marginal" rate that would have applied if it were "received" in the tax year or years it relates to.

As the lump sum payment in arrears (LSPIA) is taxable in the year you receive it, it can impact your tax and non-tax entitlements such as:

- student loans
- child support and welfare payments.

You may also find that as a result you:

- are in a higher tax bracket and pay more tax than you would have if you received the amount when you earned it
- are in the same tax bracket and pay the same amount of tax as you would have if you received the amount when you earned it
- are in a lower tax bracket and pay less tax than you would have if you received the amount when you earned it
- have a new or increased Medicare levy surcharge obligation, because the lump sum pushes you over a Medicare levy surcharge threshold.

The ATO says taxpayers may be able to access the tax offset for certain payments, which usually relate to employment, compensation or welfare payments. To be eligible for the tax offset, a LSPIA must be 10% or more of your taxable income in the year of receipt after you deduct any:

- amounts that accrued in earlier years (that is, this payment)
- amounts received on termination of employment in lieu of annual or long service leave
- employment termination payments (ETPs)
- income stream and lump sum superannuation payments
- net capital gains
- any taxable professional income that exceeds the average taxable professional income.

The ATO notes that the calculation of this tax offset is complex, therefore, there is no online calculator. ■

Taken goods for private use?
Here's the latest values.

The ATO knows that many business owners naturally help themselves to their trading stock and use it for their own purposes.

This common practice can occur in businesses such as butchers, bakers, corner stores, cafes and more.

It regularly issues guidance for business owners on the value it expects will be allocated to goods taken from trading stock for private use. The table at right shows these values for the 2019-20 income year.

The basis for determining values is the latest Household Expenditure Survey results issued by the Australian Bureau of Statistics, adjusted for CPI movements for each category.

Note that the ATO recognises that greater or lesser values may be appropriate in particular cases, and where you are able to provide evidence of a lower value, this should be used. ■

Type of business	Amount ($) (ex GST) for adult/child >16 years	Amount ($) (ex GST) for child 4-16 years
Bakery	1,350	675
Butcher	850	425
Restaurant/cafe (licensed)	4,640	1,750
Restaurant/cafe (unlicensed)	3,500	1,750
Caterer	3,790	1,895
Delicatessen	3,500	1,750
Fruiterer/ greengrocer	880	440
Takeaway food shop	3,440	1,720
Mixed business (incl milk bar, general store, convenience store)	4,260	2,130

New Director Identification Number regime may be just around the corner

The Director Identification Number (DIN) regime may have been lost in many business owners' peripheral vision, or even dropped off the radar completely, as it has been on the horizon for some time. But it is worth keeping in mind the ramifications of the measure, as the details could become important sooner than many realise, even before this year is out.

The legislation putting the regime in place has already been passed in June last year, but the scheme is not yet in operation. This is initiated by "proclamation", which is required to happen within two years of the legislation becoming law.

The regime is part of the government's "modernising business registers" program, which is intended to lessen corporate phoenix activity – the process of continuing business activity of a company that has been liquidated to avoid its debts — with the DIN regime increasing accountability by making directors traceable.

DINs will be recorded in a database that will be administered and operated by a registrar from an existing (yet to be determined) government agency. The registrar will have the power to issue DINs (once satisfied of a director's identity) and the responsibility of recording, cancelling or re-issuing DINs. The Administrative Appeals Tribunal will have jurisdiction to review decisions made by the registrar.

Under the scheme, directors will be required to have their identity verified and have a unique and permanent identifier issued to them. Companies will need to put processes in place to ensure that all existing directors apply for a DIN within the prescribed timeframe once the regime is implemented. Also, companies will need to ensure that director appointment processes include the necessary steps for new directors to apply for a DIN. The number will continue to apply even if a director leaves their position.

Within the first 12 months following implementation, new directors will have 28 days after appointment as a director to apply for a DIN. Following this time, individuals must apply for a DIN before becoming a director. For existing directors, transitional provisions should provide a period during which they will need to obtain a DIN.

The regime is expected to have other benefits such as increasing the accessibility of important information that may assist administrators and liquidators. It is anticipated that the public will be able to search the registry and view a director's profile, including any historic relationships with different companies. For example, if the director has had past involvement with insolvent trading, that information will be available on the registry.

The legislation introduced both civil and criminal penalties for a failure to apply for a DIN within the required time frame, with criminal penalties for deliberately providing false identity information or a false DIN to a government body and intentionally applying for multiple DINs.

The procedures and documents required to obtain a DIN are not included in the legislation, and will probably be set out in a separate announcement in the coming months. However administrative changes introduced by the scheme may have practical implications when appointing directors on an urgent basis. For this reason, businesses need to be aware of the coming changes so they will be ready to implement procedures to ensure compliance with the law and the timely appointment of directors. ■

The SMSF sector has been growing by $62,400 every minute

The latest annual statistical report from APRA has been released, covering the 2020 income year but only made public at the end of January 2021.

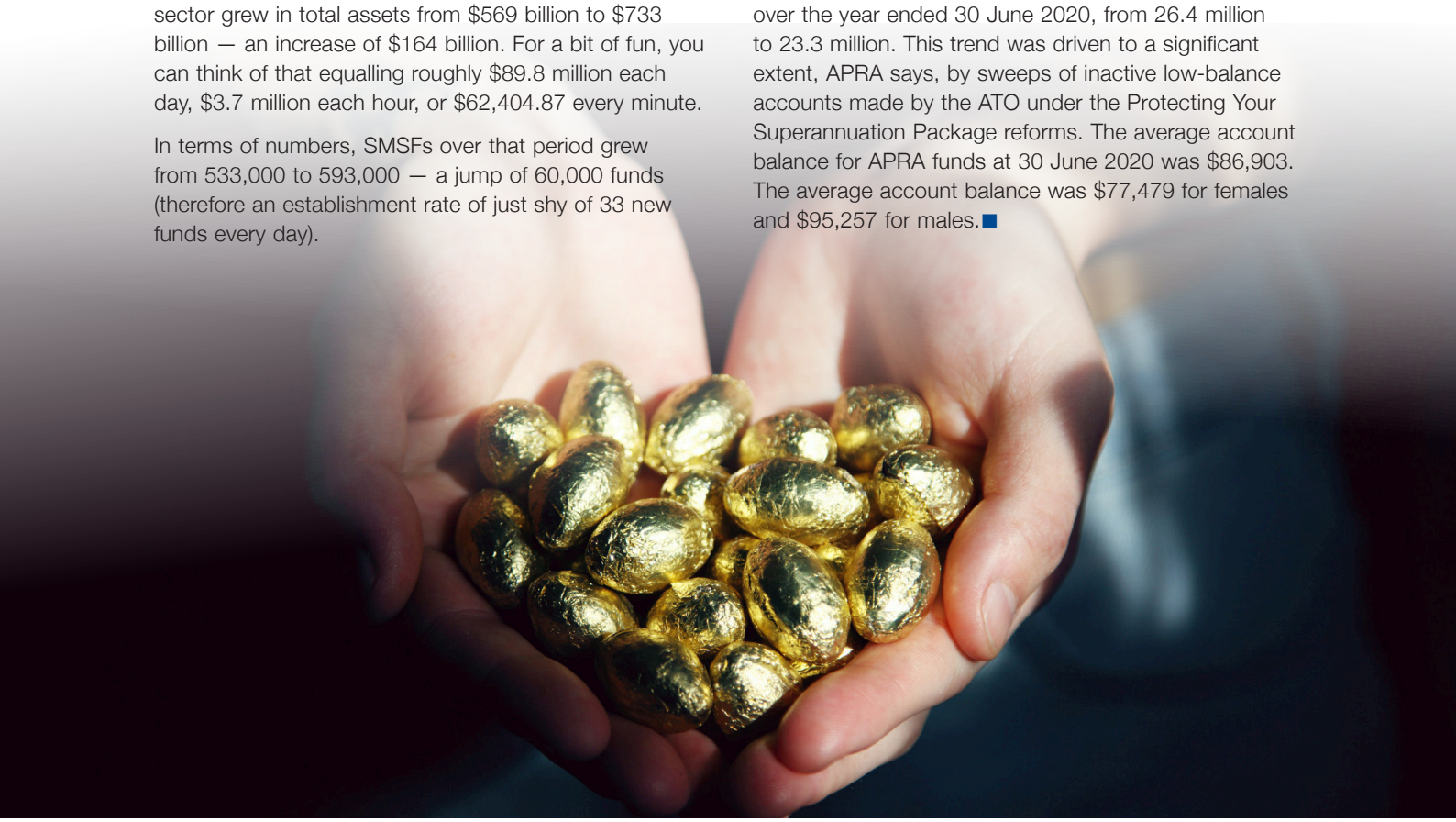
Total superannuation industry assets were $2.9 trillion as at 30 June 2020. Of this total, $1.9 trillion was held by APRA-regulated superannuation entities and $0.7 trillion was held by self-managed superannuation funds (SMSFs), which are regulated by the ATO. The remaining $210 billion comprised exempt public sector superannuation schemes ($147 billion) and the balance of life office statutory funds ($63 billion).

The report of course mainly focuses on APRA-regulated superannuation funds in the retail and industry sectors, but the APRA statistics also make passing mention of the SMSF sector.

Over the five years from June 2015 to June 2020, this sector grew in total assets from $569 billion to $733 billion — an increase of $164 billion. For a bit of fun, you can think of that equalling roughly $89.8 million each day, $3.7 million each hour, or $62,404.87 every minute.

In terms of numbers, SMSFs over that period grew from 533,000 to 593,000 — a jump of 60,000 funds (therefore an establishment rate of just shy of 33 new funds every day).

As mentioned, the total size of the entire superannuation market is $2.9 trillion. The largest share of this pot of gold is held by industry funds, with 26% of the total. But a close second is the small funds sector, which includes SMSFs, small APRA funds and single-member approved deposit funds (ADFs), with a 25.6% share of the total. Next comes public sector funds (23.6%), retail funds (20.7%) and last are corporate funds, holding just 2%.

The statistics show that the annual rate of return for APRA-regulated entities for the year ended June 2020 was -0.9%. The five year average annualised rate of return to June 2020 was 5.3%, and the 10 year average annualised rate of return to June 2020 was 6.9%.

The number of member accounts decreased by 11.7% over the year ended 30 June 2020, from 26.4 million to 23.3 million. This trend was driven to a significant extent, APRA says, by sweeps of inactive low-balance accounts made by the ATO under the Protecting Your Superannuation Package reforms. The average account balance for APRA funds at 30 June 2020 was $86,903. The average account balance was $77,479 for females and $95,257 for males. ■