TAX TIPS & KEY CHANGES BUSINESS 2020

New rules follow the government's economic response to novel coronavirus (COVID-19).

Cash Flow Boost

If you as an employer received a cash flow boost under the boosting cash flow for employers measure, the amount is tax free (non-assessable non-exempt income) and you are entitled to a deduction for the PAYG withholding paid.

From 12 March 2020 until 31 December 2020:

- the instant asset write-off threshold is $150,000 (up from $30,000)
- the eligibility range covers businesses with an aggregated turnover of less than $500 million (up from $50 million).
- Businesses with an aggregated turnover of less than $500 million are able to accelerate their depreciation deductions on the purchase of certain new depreciable assets. This applies to eligible assets held and first used or installed ready for use from 12 March 2020 until 30 June 2021.

Businesses may be eligible to receive the JobKeeper Payment for:

- eligible employees
- an individual who is an eligible business participant.
- Any amount you received is assessable income of the business.

Net medical expenses for disability aids, attendant care or aged care

From 1 July 2019, the tax offset for net medical expenses for disability aids, attendant care or aged care is no longer available.

No deductions for vacant land

You can no longer claim tax deductions for the cost of holding vacant land, such as:

- interest incurred on loans to acquire the land
- land taxes
- council rates
- maintenance costs.

These changes apply to costs incurred from 1 July 2019, even if you held the land before that date.
However, deductions for vacant land can still be claimed where, for example:

- the land is used by you in a business carried on for the purpose of gaining or producing assessable income
- the land is used or available for use in carrying on a business (for example, primary production)
- the land is vacant due to an exceptional circumstance (such as fire, flood, or substantial building defects) that occurred within the last three years.

Capital gains tax changes for foreign investors

On 12 December 2019, the government passed amendments to the law for the capital gains tax (CGT) main residence exemption for foreign residents. The changes impact certain foreign residents for property held before 7.30pm (by legal time in the ACT) on 9 May 2017, the CGT main residence exemption can be claimed only for disposals that occur on or before 30 June 2020, provided other existing exemption requirements are satisfied.

For disposal of property that occurs from 1 July 2020, foreign residents will no longer be entitled to the exemption. That is unless any of the following events occur within six years of the individual becoming a foreign resident:

- the foreign resident, their spouse, or their child who was under 18 years old, has a terminal medical condition
- the foreign resident's spouse, or their child who was under 18 years old at the time of their death, dies
- the CGT event involves the distribution of assets between the foreign resident and their spouse because of their divorce, separation or similar maintenance agreements.

For properties acquired at or after 7.30pm (by legal time in the ACT) 9 May 2017, the CGT main residence exemption no longer applies to disposals. That is unless any of the events listed above occur within six years of the individual becoming a foreign resident.

Single Touch Payroll – changes to end-of-financial-year processes

Most employers should now report their employees' payroll information through Single Touch Payroll (STP). If you or your clients aren't reporting through STP, you should start straight away.

Changes to payment summaries

Employers no longer need to give their employees payment summaries nor lodge a payment summary annual report to us for information reported and finalised through Single Touch Payroll (STP).

Employees who don't receive a payment summary can find the information needed to finalise their tax return in their new income statement in ATO online service through myGov or by contacting us.

Tax professionals can access their clients' income statements through Online services for agents.

Employers should tell their employees not to expect a payment summary and to contact their agent or visit ATO online services via myGov to complete their tax returns.

Finalising STP records

After the last pay event for the financial year, employers need to make a finalisation declaration.

They must do this by:

- 14 July if they have 20 or more employees
- 31 July if they have 19 or fewer employees.

If your employer client can't make a finalisation declaration by the due date, they will need to apply for a deferral.

STP exemption extension for closely held payees

The ATO extended the exemption for small employers with 19 or fewer employees to report their closely held (related) payees through STP from 1 July 2020 to 1 July 2021.
Closely held payees include family members, directors or shareholders of a company, or beneficiaries of a trust.
Other (arm's length) employees must be reported through STP on or before each payday. Employers can choose to report their closely held payees sooner if they are ready.