



Chapell & Associates

Merry Christmas

MONEY MATTERS



December 20, Issue 25



Inside this Issue

General Issues	1
Superannuation for Contractors	2
Superannuation Funds—Trustee Responsibility	2
Job Keeper 2.0	3
Jobmaker Hiring Credits	3
CGT Exemptions	3
Office News	4
MyGov	4
Fee Reminder	4

Reminder of Up and Coming Due Dates

- December Monthly BAS is due to be lodged with the ATO by **21 February 2021**, and December Quarterly BAS is due to be lodged with the ATO by **28 February 2021** (extension given due to Christmas)
- All Superannuation for the October—December Quarter must be paid by **28 January 2021**
- 2020 Income Tax returns where they have not already been lodged must be lodged by **17 May 2021**

GENERAL TAX ISSUES / UPDATES

We have listed some of the common queries, updates or issues we are currently seeing.

Repair vs Replacement (Rental Properties)

Rental Property repairs must relate directly to wear and tear or other damage as a direct result of renting out your property. Repairs generally involve a repair or renewal of a worn part. Maintenance generally involves the upkeep of the property in tenable condition. However, expenses which are capital in nature are not immediately deductible, and will be depreciated over time (eg new hot water system). Replacement assets or improvements are capital, as are all initial repairs prior to commencement of tenancy. If you are not sure please call us.

Where TFN is provided

Be aware that where your Tax File Number (“TFN”) has been provided to a bank, employer, share broker, the ATO will be informed of your income. On your ATO prefill report we have been able to access your salary and wages, interest income, dividend income and contractor’s income for some time. Recently, we have seen EFTPOS income come through on this report suggesting that the banks are now reporting this income to the ATO. Under Federal legislation all Australian Banks are required to report cash transactions of \$10,000 or more to the Australian Transaction Reports and Analysis Centre (“AUSTRAC”) where the ATO can access these reports.

Carry Forward or catchup superannuation contributions

These “carry forward” rules allow taxpayers, with a total superannuation balance of less than \$500,000, to use any of their unused concessional (“deductible”) caps on a rolling basis for 5 years. This means if you do not use the full amount of your concessional cap, which is currently \$25,000, then you can carry forward the unused amount for up to 5 years. After this time any unused amounts will expire. For example, you have until 2023/2024 to use any unused balance of your 2018/2019 \$25,000 concessional cap. Unused caps from 2019 financial year can be carried forward where the first year in which you could access this rule was in the 2020 financial year. We can check your balances on the ATO portal should you need these.

Payroll Tax & Jobkeeper

Wages subsidised by the Government’s Job Keeper scheme should **not** be included in your payroll tax returns. This means you should only be reporting any amounts you pay your employees above the amount of Job Keeper subsidy received.

If you have reported incorrectly you can adjust your payroll tax returns via Revenue Online.

Carrying Tools to Work

If you are required to carry tools or equipment to and from work, the ATO allows you to claim vehicle costs either using the cents per kilometre method or by using the logbook method. However, be aware the tool/s must be bulky and awkward to transport, i.e. not just a small toolbox, **and** your place of employment must not have a suitable space for you to store them.

Where your place of employment has a suitable space for you to store your tools and equipment, but you choose to carry them with you, you will **not** qualify to claim car expenses.

If you would like to claim motor vehicle costs due to carrying tools and equipment, we suggest you obtain a letter from your employer stating that they do not have a suitable space for you to store your tools and equipment and therefore are required to carry them with you to and from work.

Signage on Motor Vehicles

There is a common misconception that having signage on a motor vehicle will then make the car deductible—incorrect. Yes you get advertising by having the signage on the car, and the cost of putting the signage on is deductible. However, in order to get the car expenses or cents per kilometre deduction, you must still do a log book to prove your deductible business travel, compared to private travel.

Change in Company Tax Rate

As of 1 July 2020, being the 2021 financial year, the company tax rate will be reduced from 27.5% to 26%.

Workers Compensation Insurance Audits

Please note that we have had some clients receive a workers compensation insurance audit, because they registered themselves / or their spouse as employees for Job Keeper payments. Whilst not realising that their spouse and themselves as workings owners are not listed on the workers compensation insurance policy. Please go back and check your current workers compensation insurance policy, as you do not want any hidden surprises.

Immediate Asset Write Off and Motor Vehicle Limit

As you all know the instant asset write off for small business was increased to \$150,000 and is current until 31 December 2020. However, this does **not** apply to motor vehicles, which are still limited and capped at the ATO prescribed cost limit of \$57,581 (for 2020 financial year).



Don't Leave Your Tax Returns Until The Last Minute



**Due 17 May
2021**

Do You Need to Pay Superannuation to Contractors?

Do you hire a contractor? Are you mainly paying them for their labour? Do you pay them as a sole trader or through a partnership? Are you responsible for the work they do? Do you supply all the materials and equipment that they need to complete the work? If so, then there is a high chance that you are responsible to pay superannuation contributions on their behalf. You should review your payments to contractors and contact us to discuss if you have any questions at all.



Note, including an allowance for superannuation in their hourly rate, does not exclude you from having to make superannuation contributions directly to a superannuation fund.

New Employees – Your Obligations for Superannuation

When you hire a new employee, you will need to ask them to complete a Superannuation (“Super”) Standard Choice Form. This can be done either via a paper copy or can be completed on-line through their MyGov Account. If they complete the form on-line, they will need to provide you with a paper version so that you can update your details. The Form provides you with details of their superannuation fund and where superannuation payments should be made to.

If an employee does not have a fund, or provide you with details of their fund, you will need to make a payment to your “Employer-Nominated Fund” by the due date.

Superannuation Funds – Trustee Responsibility

As a Trustee of a Superannuation Fund, you are responsible for the management of the fund. As the trustee, it is your responsibility to make the decisions about the operation of the fund, including, but are not limited to:

- Ensuring that the fund meets the Sole Purpose Test;
- Making decisions about the purchase and sale of assets, taking into account the Investment strategy of the fund;
- Reviewing the contributions made by the members and allocating the contribution correctly to each member;
- Reviewing the pension drawn by the members and allocating the pension drawn to the correct member;
- Ensuring that the fund meets its compliance requirements;
- Ensuring that the funds maintains proper books or records;
- Considering the assets held by the fund, to determine the value of those assets at the end of the year;
- Ensuring the assets are protected for the benefit of the members and that they are kept separate from any other assets that you own;
- Ensuring that the fund does not borrow monies, unless allowable under the SIS Act.

RESPONSIBILITY



We understand that many of you do this already, with our assistance and guidance.

The ATO has decided to tighten the rules from 1/7/21 on who can audit your SMSF, by proposing that we cannot prepare your accounts, and tax return and audit, unless the preparation of your accounts and tax is a mechanical task with no advice being provided.

Firstly, if you would like us to arrange for an external auditor - separate from my firm, then let us know and we will immediately arrange this. However, we do not believe that they would audit as well as we audit ourselves. Secondly we use a different auditor within the practice, than the accountant that looks after your accounts and tax, and lastly we believe we can save you money doing it.

In order to comply with the tightened regulation, I will need to show that the trustee is making the decisions regarding incomes and expenditures of the fund including contributions to accept and pensions payments to make (with the members in these cases). In order to document this we believe that we will need to provide you documentation to sign during the year with regard to minutes and actions of the trustee, rather than at the end of the year at the time of audit. In some cases we may also need clarification on incomes and expenses – during the year.

Hopefully this will allow us to provide the appropriate independence from the fund to meet the audit standards. If you have any questions about this new regulation, please do not hesitate to call.

Things to Think About Going Forward

You should regularly review the assets of your fund to ensure that the fund meets the Sole Purpose Test.

If a pension is paid to a member, you should document that the member has requested that the member wishes to draw a pension, and the minimum amount that they intend to take. This should be minuted, at the time the member first starts to draw a pension and at the beginning of each year.

If a member makes a contribution to the fund, that is not from an employer, the member will need to document that they have made a contribution, and how it is to be treated (i.e. as a taxable contribution, or tax free).

If you buy or sell assets, you should document the decision. You should regularly review your investment strategy and compare it to actual assets held. If the investment strategy does not agree with the actual assets held, you should update the investment strategy or change the investment mix.

At the end of the year, if you hold an asset that does not have a third party value (e.g. for listed shares we can use the closing price of the share), you should document what you think the value is and the basis you the valuation. And remember, any significant event that affects the fund, should be documented.

Joke of the Day!



Job Keeper 2.0 Available Until March 2021



From 4 January 2021, businesses are required to assess their eligibility with reference to their actual turnover in the December 2020 quarter to be eligible for the job keeper payment from 4 January 2021 to 28 March 2021.

To be eligible for job keeper payments, businesses need to demonstrate that they have experienced a decline in turnover of 30% in their December 2020 quarter relative to a comparable period, generally the December 2019 quarter.

We note that there are alternative tests where it is not appropriate to compare actual turnover in December 2020 quarter with actual turnover in the December 2019 quarter.

The payments are open to new recipients, provided they meet the eligibility requirements and the turnover tests that apply during the relevant payment period.

The job keeper payments will be scaled back for the period which are:

- \$1,000 per fortnight for all eligible employees and business participants who were working 20 hours or more a week on average in the weeks of February 2020 or June 2020;
- \$650 per fortnight for other eligible employees and business participants i.e. worked less than 20 hours a week on average

If you have any queries or would like us to review your eligibility, please don't hesitate to get in contact with any of our accountants to discuss eligibility.

Jobmaker hiring credit: How does it work and who is eligible

On 6 October 2020, as part of the 2020-21 budget, the Government announced a wage credit if businesses hire young people.

From 7 October 2020, eligible employers will be able to claim \$200 a week for each additional employee they hire aged 16 to 29 and \$100 a week for those aged 30 to 35. New jobs created over the 12 months from 7 October 2020 will attract the jobmaker hiring credit for up to 12 months from the date the new position was created. Although, a business **cannot** claim job keeper and jobmaker hiring credit at the same time.

To be eligible, the employee must have received jobseeker, youth allowance or parenting payment for at least one of the previous three months at the time of hiring, but must not be receiving other wage subsidies such as apprenticeship funding.

Employees must work at least 20 paid hours a week on average and the credit can only be claimed by one employer for each eligible employee. Unlike the jobkeeper wage subsidy, which must be passed on to the employee regardless if their hours worked, the employer keeps the hiring credit and pays employees only for hours worked. Please contact us, should you like to register or want more information.

What are some of the exemptions for capital gains tax ("CGT") on properties which you should know about

Knowing these exemptions can save property owners thousands of dollars.



What is the 6 year rule.

If a property was an owner's principle place of residence from the time they acquired it, then they are entitled to the full CGT exemption. If the property owner moves out and rents the property, the owner can claim an exemption from CGT for a period of up to 6 years after they moved out. One small detail is that you need to move back into the property before the 6 years is up, if you wish to restart a new 6 year period and cannot have another principle place of residence (see 6 month rule).

What is the 4 year rule.

This exemption is for owners who acquire a block with the intention to build their dream home. The ATO will allow the owner to deem the block as their principle place of residence if they build a property within 4 years from the time the land is purchased, and move in immediately after construction. The catch though is you can't claim another property as your principle place of residence during this time.

What is the 6 month rule.

The ATO does not allow a property owner to have two properties as their principle place of residence during one time but there is an exemption to the rule which is the 6 months rule. This exemption is generally triggered if you sell your old principle place of residence and acquire a new principle place of residence within the 6 months. There are conditions which you need to satisfy which are dependent on the use of old principle place of residence in the last 12 months and your intentions with the new residence.

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Our Services

- Preparation of Tax Returns
- Preparation of Financial Statements
- SMSF Tax & Audit
- GST & BAS Lodgement
- Tax & Strategy Planning
- Bookkeeping
- Corporate Secretary Management
- Dashboard Reporting
- Due Diligence Review
- Financial Planning



Congratulations Rebecca!!!

Please join us in congratulating the very beautiful, Rebecca on her marriage to Jason! Bec was married on 27 November and has returned to us as the new Mrs Fletcher!! We hope you had a great magical day.



Staff Event

We were lucky enough that we were able to celebrate Melbourne Cup, with a lovely lunch while watching the race. Afterwards, as tradition, we participated in a staff building event, and as usual there is always a competition set by Greg. This year we did "Axe Throwing", yes there were heavy safety restrictions in place, and as staff members we were



very worried, if our 'heads' were on the chopping board. But we had a great time, lots of laughs. Some staff members excelled (maybe some hidden frustration or a great stress relief was found) and other staff members gave the rest of us a good laugh. Yes the competition you ask, who was the winner? You guessed it, our great boss, Greg, won again!! (Maybe this time was because we were really worried one of us may be hurt while he was holding the axe.) Let's see if we can beat him next time.



MyGov

Reminder to all clients, please check your MyGov account regularly. The ATO has recently began corresponding with tax payers through the MyGov System. This means that if you have set up a MyGov Account, and have linked the ATO to that account, then most of your mail from the ATO will go to your MyGov Account, rather than to us or your mailing address. This includes:

- Notices, including Assessment Notices
- Statements of Account
- Confirmation and reminder notices
- Activity Statements



Because of this change, we will no longer receive the ATO correspondence listed above that is sent to you.

If the ATO sends you mail through the MyGov system, and the ATO/MyGov has your mobile number, you should receive a text message saying that there is mail to be reviewed in your MyGov Account. If the ATO/MyGov System does not have your mobile number, then you will need to remember to check your MyGov Account if you are expecting correspondence from the ATO.

Unfortunately, once you have linked the ATO to your MyGov Account we cannot do anything to have your ATO mail sent to us. If you receive something from the ATO that you do not understand please contact us to discuss.

Fee Reminder

A reminder to our clients that per our engagement letter we charge on a time basis. This means that every contact with our firm is recorded against your account. All time spent liaising with you, the ATO, mortgage brokers, car finance people or anyone else on your behalf is also recorded. At regular intervals we consider the account and issue an invoice.

Further, we have had to introduce payment before lodgement (unless covered by a refund) rule due to a number of clients defaulting on their debts.

Please respect that where an error is made by us, no charge is applied to correct the error. If an error is made by the client or the ATO or any other person, which we then have to assist you to correct the error, then charges will apply.

Chapell & Associates is a close knit and friendly team of staff, who all enjoy helping you with your business. We are experienced in all areas of clients advice and all work together to provide you with the best possible outcomes. When you call, if your usual adviser is not available let us know your question and one of our team members may be able to help you. If they can help they will, then update your normal adviser on any discussions you may have had with them. However, if you prefer to wait for a call back, then of course leave a message. Thank you for your business, and we look forward to hearing from you all soon.