# Mogg Osborne Newsletter

September 2020

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## Welcome to the September 2020 Edition of the Mogg Osborne Newsletter

Here we are 6 months into the COVID – 19 pandemic and the world as we know has changed, some say forever, some say for the foreseeable future.

Many businesses are a long way from trending back to 'normal' as we pass 27 September 2020, the original date that JobKeeper was to end. Thankfully the Government has announced an extension and further changes to the JobKeeper scheme. The good news is that employees that missed out on JobKeeper because they were not employed on 1 March 2020 might now be eligible.

**Welcome** We are pleased to announce the recent hiring of Gihan Perera and Archita Batta to the positions of Client Managers in our Tax & Accounting department. Both Gihan and Archita have relocated from Melbourne and are enjoying the freedom of regional Victoria and exploring Cobram.


*From Left; Team Leader Emma Skehan, Archita Batta, Gihan Perera and Team Leader Michael Whitford*

**Exciting Announcement** Mogg Osborne has merged with Freedom Accounting Group in Albury, another regional Accounting Firm that has similar core values and alike history of long-term service to clients.

Freedom Accounting Group has been providing accounting and business advice to border region businesses for over 50 years and the merger presents an opportunity to ensure the continued growth and support.


## The extended JobKeeper Payment rates

From 28 September 2020 to 3 January 2021, the JobKeeper Payment rates will be:

- **$1,200** per fortnight for all eligible employees who, in the four weeks of pay periods before 1 March 2020, were working in the business or not-for-profit for 20 hours or more a week on average, and for eligible business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020
- **$750** per fortnight for other eligible employees and business participants.

From 4 January 2021 to 28 March 2021, the JobKeeper Payment rates will be:

- **$1,000** per fortnight for all eligible employees who, in the four weeks of pay periods before 1 March 2020, were working in the business or not-for-profit for 20 hours or more a week on average and for business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and
- **$650** per fortnight for other eligible employees and business participants.

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).

The JobKeeper Payment will continue to be made by the ATO to employers in arrears. Employers will continue to be required to make payments to employees equal to, or greater than, the amount of The JobKeeper Payment (before tax), based on the payment rate that applies to each employee. This is referred to as the wage condition.

The eligibility rules for employees remain unchanged.

**Additional new turnover tests**

In order to be eligible for the JobKeeper Payment after 27 September 2020, businesses and not for-profits will have to meet a further decline in turnover test for each of the two periods of extension, as well as meeting the other existing eligibility requirements for the JobKeeper Payment. In order to be eligible for the first JobKeeper Payment extension period of 28 September 2020 to 3 January 2021, businesses and not-for-profits will need to demonstrate that their actual GST turnover has significantly fallen in both the June quarter 2020 (April, May and June) and the September quarter 2020 (July, August, September) relative to comparable periods (generally the corresponding quarters in 2019).

In order to be eligible for the second JobKeeper Payment extension period of 4 January 2021 to 28 March 2021, businesses and not-for-profits will again need to demonstrate that their actual GST turnover has significantly fallen in each of the June, September and December 2020 quarters relative to comparable periods (generally the corresponding quarters in 2019).

Businesses and not-for-profits will generally be able to assess eligibility based on details reported in the Business Activity Statement (BAS).

***Please contact our office if you wish to discuss your business' eligibility for Jobkeeper payments***

**My business can't pass the decline in turnover test because we were impacted by a natural disaster/drought in 2019**

Special rules exist to ensure that businesses trading (or partially trading) in a region impacted by natural disasters or drought in 2019 are not detrimentally impacted when calculating the decline in turnover tests. Assuming the drought or disaster impacted your GST turnover, the alternative test enables you to use a period in the year immediately preceding the year in which the drought or natural disaster was declared for the decline in turnover test comparison. This is, if your business was impacted by drought/disaster in the September quarter of 2019, you can use the September quarter of 2018 for your comparison period. If 2018 was also a drought/disaster zone, you can keep going back until the first year preceding the declaration of drought/disaster.

## Wrapping up JobKeeper

If your business is no longer eligible for JobKeeper payments, there are a few things you need to do:

- **Advise** your employees and business participant. For anyone receiving JobKeeper payments from your business, you should advise them in writing that the business is no longer eligible, JobKeeper payments ceased on 27 September 2020, and their pay will revert to the conditions that apply under their employment agreement. This is particularly important for those who have been receiving top-up payments.
- Ensure payroll **adjusts –** Double check your payroll to ensure that top-up JobKeeper payments have been removed from 28 September 2020 onwards.

Make sure you keep all of your records relating to JobKeeper including your calculations and rationale for the decline in turnover test, your employee JobKeeper nomination forms, and any other records for at least five years.

## 80 cents per hour 'shortcut' method for home office expenses has been extended

Back in April 2020 the ATO announced that a 'shortcut' method was to be made available to use from **1 March 2020 until 30 June 2020** for individuals claiming home office expenses due to COVID-19. The ATO has recently announced an extension of this shortcut method to also include **1 July 2020 to 30 September 2020.**

In summary, a taxpayer can claim a deduction of 80 cents for each hour they work from home due to COVID-19 as long as the individual is:

- working from home to fulfil their employment duties and not just carrying out minimal tasks such as occasionally checking emails or taking calls; and
- incurring additional deductible running expenses as a result of working from home.

A taxpayer does not have to have a separate or dedicated area of their home set aside for working, such as a private study.

The shortcut method rate covers all deductible running expenses such as: electricity and gas used for heating/cooling and running electronic items used for work purposes; depreciation and repair of assets used for work purposes; work related phone and internet costs.

*If you are working from home due to COVID-19 and have queries about what deductions you can claim, contact our office.*

## Early access to superannuation

Figures from the Australian Prudential Regulation Authority show that over $30 billion has been taken from superannuation to date under hardship provisions. If you are an Australian citizen or permanent resident and New Zealand citizen, you can apply to release up to $10,000 of your superannuation between 1 July 2020 and 31 December 2020 if you were made redundant, your working hours have been reduced by more than 20%, **and you have been adversely financially impacted by COVID-19**.

If you are not in financial hardship you should not access your superannuation. The application process through myGov is a self-assessment process that you are responsible for. Penalties of up to $12,000 may apply for providing false or misleading information.

Some financial institutions are reporting that early access to superannuation will be a factor taken into account for those seeking to apply for loans – lenders may interpret early access as meaning that you are unable to meet your commitments and/or are insolvent, and this is likely to impact on your credit worthiness.

## COVID-19 and your SMSF

COVID-19 has had an impact on many SMSFs. We look at the key issues.

### Early release of superannuation

When a member of your fund wants to access up to $10,000 of their superannuation early under the COVID-19 measures, there are some additional steps that trustees need to take. Trustees will need to ensure their deed allows for early release, the member has met the eligibility criteria for release, and ensure that no funds have been released until the release authority from the ATO has been received. This will be a 2019-20 audit area of focus.

### Tenant Rent Relief

Setting rent for a tenant that is less than market value in an SMSF is usually a breach of superannuation laws. If the rental relief is provided to a related party, then the situation can become trickier as the difference between the rent charged and the market value can amount to a loan and potentially put the fund in breach of the in-house asset rules.

However, to manage COVID-19 rent reductions for SMSF landlords, the ATO has stated that for the 2019-20 and 2020-21 financial years it will not take action where the rental relief is provided on arms-length terms. That is, the relief is in line with the National Cabinet Mandatory Code of Conduct for commercial leasing principles, has a set timeframe to it, and the reason for the relief and the relief provided is documented.

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## Support for business employing apprentices and trainees

JobTrainer provides a 50% reimbursement to eligible employers for the cost of apprentice or trainee wages up to $7,000 per quarter. Originally only for small businesses employing less than 20 employees, the subsidy recently expanded to include businesses with under 200 employees.

For small businesses (under 20 employees), the apprentice had to be employed on 1 March 2020 or on 1 July 2020 for claims after this date (claims are open now). For medium sized businesses (under 200 employees), the apprentice had to be employed on 1 July 2020 (claims open 1 October 2020). To access the subsidy, you will need to provide evidence of wages paid to the apprentice.

The subsidy is also accessible to larger employers employing apprentices let go by a small/medium business where that apprentice was eligible for the wage subsidy.

The subsidy is scheduled to end on 31 March 2021.

## A note on debtor management

With 46% less insolvencies between March and July this year compared to last year, it's clear the COVID-19 protections have not only protected business against COVID-19 trading conditions but also protected against natural attrition in the market.

It's essential in the lead up to Christmas and into the New Year you keep tight control of your debtors! Review your account management and debtor policies and keep tight controls.

## Cashflow boost payments

If your business received the first cashflow boost tranche, you will receive a further cashflow boost for the June to September quarters of the same amount. If you report quarterly, the cashflow boost will be paid in two equal payments for June and September. If you report monthly, the cashflow boost is provided in four equal payments.

The cashflow boost is applied to reduce any liabilities in the same reporting period with any excess amount being paid as a cash refund from the ATO.

# Tax on COVID-19 grants

**My business received a grant from the State Government. Do I pay tax on it?**

Short answer; probably.

**Income tax -** Grants are likely to be taxable unless they are specifically excluded from tax.

If the grant relates to your continuing business activities, then it is likely to be included in assessable income for income tax purposes. The position can be different in cases where the payment is made so that the entity can commence a new business or cease carrying on a business.

**Goods & Services Tax -** Government grants are not generally subject to GST unless the grant is for a supply of something. The ATO has indicated that the cashflow boost and JobKeeper payments are not subject to GST, this seems to be on the basis that they are not consideration for a supply.

Normally, we look at whether the entity has to do something to obtain the payment / grant. This could include entering into an agreement to do something or refrain from doing something. If not, there won't generally be any GST because no supply is or has been made.

**JobKeeper turnover calculations** - If GST does not apply to the grant, then it should not be included in the decline in turnover test for the initial phase of JobKeeper or the GST turnover figures that are reported to the ATO on a monthly basis by entities that are participating in JobKeeper.

The exception is the university sector where core Commonwealth Government financial assistance provided is included in the JobKeeper turnover tests.

## *Congratulations 20 Years of Service*

## *Michael Whitford and Jacquie Ryan*

***Congratulations on achieving this anniversary with Mogg Osborne. We know you have both worked hard for this accomplishment and we truly appreciate your dedication and efforts year after year.***

### Mogg Osborne Closure Dates

**AFL Grand Final Eve Public Holiday**
**Friday 23 October**

**Melbourne Cup Public Holiday**
**Tuesday 3 November**

## Contact Us

## Mogg Osborne

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