

TAX ALERT - SEPTEMBER 2021

SINGLE TOUCH PAYROLL UPDATE

Phase 2 coming soon

The ATO is expanding the information that businesses send through Single Touch Payroll (STP). From 1 January 2022, most employers will be required to send additional information such as the commencement date of employment and cessation date of employment for employees, their reasons for leaving employment and work type. The basic information about salary and wages and super liability information in Phase 1 of the STP rollout will also be further drilled down in Phase 2, moving away from just reporting the gross amounts.

According to the ATO, the Phase 2 report will also include a six-character tax treatment code for each employee. The code will be automatically generated by the STP software and is an abbreviated way of outlining the factors that can influence amounts withheld from payments.

STP was originally introduced in 2016 as a way for employers to report their employees' tax and super information to the ATO in real time. Most employers, regardless of the number of their employees, were required to start reporting from 1 July 2021.

Employers with a withholding payer number (WPN) have until 1 July 2022 to start reporting payments through STP, and small employers that make payments to closely held payees are exempt from reporting these payees through STP for the 2019-2020 and 2020-2021 financial years.

While the Phase 2 increase in information will be automatically taken care of in most STP software solutions, the increased stratification of reporting may require you to pay more attention to your business's payroll, to ensure all the information you enter into the system is correct.

TAX TIME 2021: RENTAL PROPERTY PITFALLS

This tax time, the ATO is again closely monitoring claims in relation to rental properties. The ATO has data-matching programs in place that collect detailed

information about properties and owners for income years all the way from 2018-2019 to the 2022-2023. These programs expand the rental income data collected directly from third-party sources, including sharing economy platforms, rental bond authorities and property managers.

In the 2019-2020 financial year over 1.8 million taxpayers owned rental properties and claimed \$38 billion in deductions. While most taxpayers do the right thing and are able to justify their claims, the ATO notes that over 70% of the 2019-2020 returns selected for review of rental information needed adjustments.

TIP: The ATO guidance makes it clear there's no intention to penalise property owners whose rental income or property costs have been negatively affected by COVID-19.

The most common mistake that rental property owners and holiday homeowners make is not declaring all their income, and their capital gains from selling property.

Another area of concern involves claims for interest charges on personal loans. For example, if you take out a loan to buy a rental property and rent it out at market rates, the interest on the loan is deductible. However, if you redraw money from that mortgage for personal use (eg to buy a car or pay off the mortgage of the house you're living in), then you can't claim interest on that part of the loan.

You should also be careful when claiming deductions for capital works. While the cost of repairs for wear and tear are immediately deductible if you're replacing or fixing an existing item (eg a broken toilet), the cost of upgrading the property or areas of the property is considered capital works and any deductions need to be spread over a number of years.

NEW SHARING ECONOMY REPORTING REGIME PROPOSED

The government is seeking to legislate compulsory reporting of information for sharing economy platforms in order to more easily monitor the compliance of participants, while at the same time reducing the need for ATO resources.

As the sharing economy becomes more prevalent and fundamentally reshapes many sectors of the economy, the government is scrambling to contain the fall-out. While there is no standard definition of the term “sharing economy”, it’s usually taken to involve two parties entering into an agreement for one to provide services, or to loan personal assets, to the other in exchange for payment. Examples of platforms include Uber, Airbnb, Car Next Door, Menulog, Airtasker and Freelancer, to name a few.

With the rapid expansion of various sharing economy platforms, the government’s Black Economy Taskforce has noted that without compulsory reporting, it is difficult for the ATO to gain information on compliance without undertaking targeted audits. Putting formal reporting requirements in place will align Australia with international best practice.

The government has now released draft legislation for consultation to define the scope of compulsory reporting requirements in order to ensure integrity of the tax system and reduce the compliance burden on the ATO.

This new compulsory reporting regime would apply to all operators of an electronic service, including websites, internet portals, apps, gateways, stores and marketplaces. Any platforms that allow sellers and buyers to transact will be required to report information on certain transactions. However, the reporting requirement will generally not apply if the transaction only relates to supply of goods where ownership of the goods is permanently changed, where title of real property is transferred, or the supply is a financial supply.

Based on the draft legislation, platform operators will be required to report transactions that occur on or after 1 July 2022 if they relate to a ride-sourcing or a short-term accommodation service, unless an exemption applies. From 1 July 2023 all other categories of sharing economy platforms will be required to report, unless an exemption applies.

TIP: It’s expected that only the aggregate or total transactions relating to a seller over the reporting period will need to be provided; that is, information will not need to be provided on a transactional basis.

The initial reporting is expected to be biannual (1 July to 31 December, and 1 January to 30 June) with electronic service operators required to report the relevant information by 31 January and 31 July respectively.

REMINDER: SUPER CHANGES FOR THE 2022 FINANCIAL YEAR

The government’s long-slated “flexibility in superannuation” legislation is finally law. This means from 1 July 2021, individuals aged 65 and 66 can now access the bring-forward arrangement in relation to non-concessional super contributions. The excess contributions charge will be removed for anyone who exceeds their concessional contributions cap, and individuals who received a COVID-19 super early release amount can now re-contribute it without hitting their non-concessional cap.

Previously, if you made super contributions above the annual non-concessional contributions cap, you could automatically access future year caps if you were under 65 at any time in the financial year.

The bring-forward arrangement allows you to make non-concessional contributions of up to three times the annual non-concessional contributions cap in that financial year.

TIP: For the 2022 income year, the non-concessional contributions cap is \$110,000, which means that individuals aged 65 and 66 can now access a cap of up to \$330,000.

Previously, individuals who exceeded their concessional contributions cap would have to pay the excess contributions charge (around 3%) as well as the additional tax due when excess contributions were re-included in their assessable income. However, people who exceed their cap on or after 1 July 2021 will no longer pay the charge, but will still receive a determination and be taxed at their marginal tax rate on any excess concessional contributions amount, less a 15% tax offset to account for the contributions tax already paid by their super fund.

RECONTRIBUTIONS OF COVID-19 EARLY RELEASED SUPER

Under the COVID-19 early release measures, individuals could apply to have up to \$10,000 of their super released during the 2019–2020 financial year and another \$10,000 released between 1 July and 31 December 2020. Between 20 April 2020 and 31 December 2020, the ATO received 4.78 million applications for early release, totalling \$39.2 billion worth of super.

Not everyone who applied to have super released ended up needing to use it once the government ramped up its financial support programs. From 1 July 2021, people

who received a COVID-19 super early release amount can re-contribute to their super up to the amount they released, and those re-contributions will not count towards their non-concessional contributions cap. The re-contribution amounts must be made between 1 July 2021 and 30 June 2030 and super funds must be notified about the re-contribution either before or at the time of making the re-contribution.

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