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Support for flood-ravaged areas

The recent devastating flooding in Southeast Queensland and parts of New South Wales has left many people homeless, caused vast amounts of property damage and has sadly led to loss of life. While the clean-up effort continues in many areas, there is some immediate financial help available for those affected, including the Disaster Recovery Payment and Disaster Recovery Allowance.

Those who need immediate help can apply for the Australian Government Disaster Recovery Payment. This is one-off financial assistance of $1,000 per eligible adult and $400 for each eligible child aged under 16. This includes Australian resident individuals in various local government areas who have been seriously injured, lost their homes, have had their homes/major assets directly damaged, or those who have lost immediate family members as a direct result of the floods. The payment is also available to eligible New Zealand visa holders (Subclass 444) who have been affected by the floods.

Australian residents and eligible New Zealand visa holders may also be eligible to apply for the Disaster Recovery Allowance. This is a short-term payment for a maximum of 13 weeks. Eligible individuals will need to be 16 years or over, have lost income as a direct result of the storms/floods, and earn less than the average Australian weekly income in the weeks after the income loss.

Flood-impacted small businesses will receive an automatic BAS lodgement deferral – although general interest charge (GIC) may still apply to deferred payments – and can apply for a refund of previously paid PAYG instalments. Any GST refunds will also be "fast-tracked".

TIP: If your small business needs help in deferring your tax obligations due to the floods, we can help liaise with the ATO on your behalf and work out the best plan for your situation. We can also help guide you through information about the available support payments for individuals and families.

Temporary full expensing of assets extended

The availability of temporary full expensing of depreciating assets for business has been extended for another year until 30 June 2023. This measure was originally introduced in 2020 as a part of the Federal Government's COVID-19 business rescue package, aimed at encouraging business investment by providing a cash flow benefit. As originally introduced, the measure was due to end on 30 June 2022.

Businesses with an aggregated turnover below $5 billion or those that meet an alternative eligibility test can deduct the full cost of eligible depreciating assets of any value that are first held and first used or installed ready for use for a taxable purpose from 6 October 2020 until 30 June 2023.

For small business entities with an aggregated turnover of less than $10 million, the temporary full expensing of depreciating asset rules has been effectively replaced with simplified depreciation rules for any assets first held and used or installed ready for use for a taxable purpose between 6 October 2020 and 30 June 2023. This means that the full cost of eligible depreciating assets, as well as costs of improvements to existing eligible depreciating assets, can be fully deducted.

Not all costs relating to assets qualify for temporary full expensing. For example, building and other capital works, as well as software development pools do not generally qualify. Second-hand assets that would otherwise meet the eligibility conditions also do not qualify for temporary full expensing if the entity that holds them has an aggregated turnover of $50 million or more.

Special rules also apply to cars, where the temporary full expensing is limited to the business portion of the car limit.

TIP: If you want to take advantage of temporary full expensing, contact us first to make sure the assets your business is planning to purchase will meet the eligibility requirements.

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Record-keeping education in lieu of ATO financial penalties

If you run a small business and are found by the ATO to have made unintentional record-keeping mistakes, you could face having to pay an administrative penalty. However, this could soon change under a proposed new law that would give ATO the power to issue a direction to complete an approved record-keeping education course instead. Legislation to implement this measure has been introduced into Parliament but not yet passed.

This proposed change originated as a part of the Black Economy Taskforce's final report, which found that tax-related record-keeping obligations should be made clearer for businesses, and that the ATO should have a range of administrative sanctions available at its discretion for breaches of the rules.

Under the proposed new law, the ATO may issue a tax-records education direction in appropriate situations, which will require the appropriate person within a business to take a specified, approved course of education and provide the ATO with evidence of completion. This would be applied in circumstances where the record-keeping mistakes were unintentional, due to knowledge gaps or variations in levels of digital literacy, or where the ATO reasonably believes that the entity has made a genuine attempt to comply with their obligations.

The tax-records education direction would not be available to businesses that deliberately avoid record-keeping obligations. In those cases, financial penalties will still be applied, and if there is evidence of serious non-compliance, the ATO may also consider criminal sanctions.

FHSS maximum releasable amount increased

The maximum amount that individuals can take out of their superannuation under the First Home Super Saver Scheme (FHSS) will be increased to $50,000 for any release requests made on or after 1 July 2022. The scheme was originally envisaged as a tax-effective way for first home buyers to save for a deposit, and the increase in the maximum releasable amount presumably reflects the rapidly escalating housing price increases. The scheme is available to both first home buyers and those intending to build their first home, subject to certain conditions of occupation.

The first step in releasing eligible funds is to obtain a FHSS Determination from the ATO which sets out the maximum amount that an individual can have released under the scheme. It's imperative to make sure you've finished making all your voluntary contributions under the scheme before applying for a Determination, and of course, to check the accuracy of the Determination issued by the ATO.

There is a limit of $15,000 of eligible contributions that can be released each financial year (up to a total limit of $30,000 currently, or $50,000 from 1 July 2022).

TIP: To access part your super under the scheme, you must have a FHSS Determination from the ATO *before* any contract to purchase or build is signed.

When you have a FHSS Determination and subsequently sign a contract to purchase, a valid release request must be given to the ATO within 14 days. After the release of money, if you haven't signed a contract to purchase or construct a home within 12 months, the ATO will generally grant an extension for a further 12 months automatically. You also have the choice to recontribute the amount back into your super fund, or to keep the money and pay a flat 20% tax on assessable FHSS released amounts.

Downsizer contributions: age limit change

To help those nearing retirement boost their super balances, people aged 65 and over can currently make downsizer contributions to their super of up to $300,000 from the proceeds of the sale of their home.

TIP: Downsizer contributions don't count towards the super contribution caps, but do count towards the transfer balance cap, which applies when your super is moved into the retirement phase.

As part of a suite of measures introduced to provide more flexibility for those contributing to super, from 1 July 2022 the age limit for those making downsizer contributions will be decreased to include individuals aged 60 years or over. Optimistically, the government expects this decrease in the age threshold will encourage more older Australians to downsize sooner and "[free] up the stock of larger homes for younger families".

If you or your spouse are thinking of selling the family home to capture a premium, especially in regional areas, some other criteria must be satisfied so you can make a downsizer contribution to your super, including:

- the location of the home must be in Australia;
- the home must have been owned by your or your spouse for at least 10 years;
- the home must not be a caravan, houseboat or other mobile home;
- the disposal must be exempt or partially exempt from CGT under the main residence exemption; and
- a previous downsizer contribution must not have been made from the sale of another home or from the part sale of the current home.

Each person individual can make the maximum contribution of $300,000, so for a couple a total contribution of $600,000 can be made. However, the total contribution amount cannot be greater than the total proceeds from the sale of the home. If a home is owned only by one spouse and is sold, the spouse who didn't have ownership can also make a downsizer contribution or have one made on their behalf, provided all other requirements are met.

Work test scrapped for super contributions: under 75s

From 1 July 2022, people aged between 67 and 75 will be able to make non-concessional and salary-sacrificed contributions to their superannuation without the need to pass the work test or satisfy the work test exemption criteria. The removal of the work test from that date also allows people aged under 75 to access the bring-forward of non-concessional contributions in some cases, which may allow you to access up to three times the annual non-concessional contributions cap in a single year. Personal contributions will also be affected, although now instead of having to pass the work test to contribute, the work test only applies if a deduction is sought.

These changes are designed to provide older Australians with more flexibility to contribute to their super and add to their comfort in retirement.

Contribution caps will still apply to any contributions made to your super.

To pass the work test, an individual must be gainfully employed for at least 40 hours during a consecutive 30-day period in each income year in which contributions were made. It’s an annual test, which means that once it is met, the individual can make contributions for that entire income year.

TIP: If you’re between the ages of 67 and 75, now is the perfect time put a plan in place to grow your super. Contact us to find out more about how you can take advantage of these changes.