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WEDNESDAY 17 JUNE 2020

Tax Time without a Budget Webinar

» Poll Questions and Live Q&A Session

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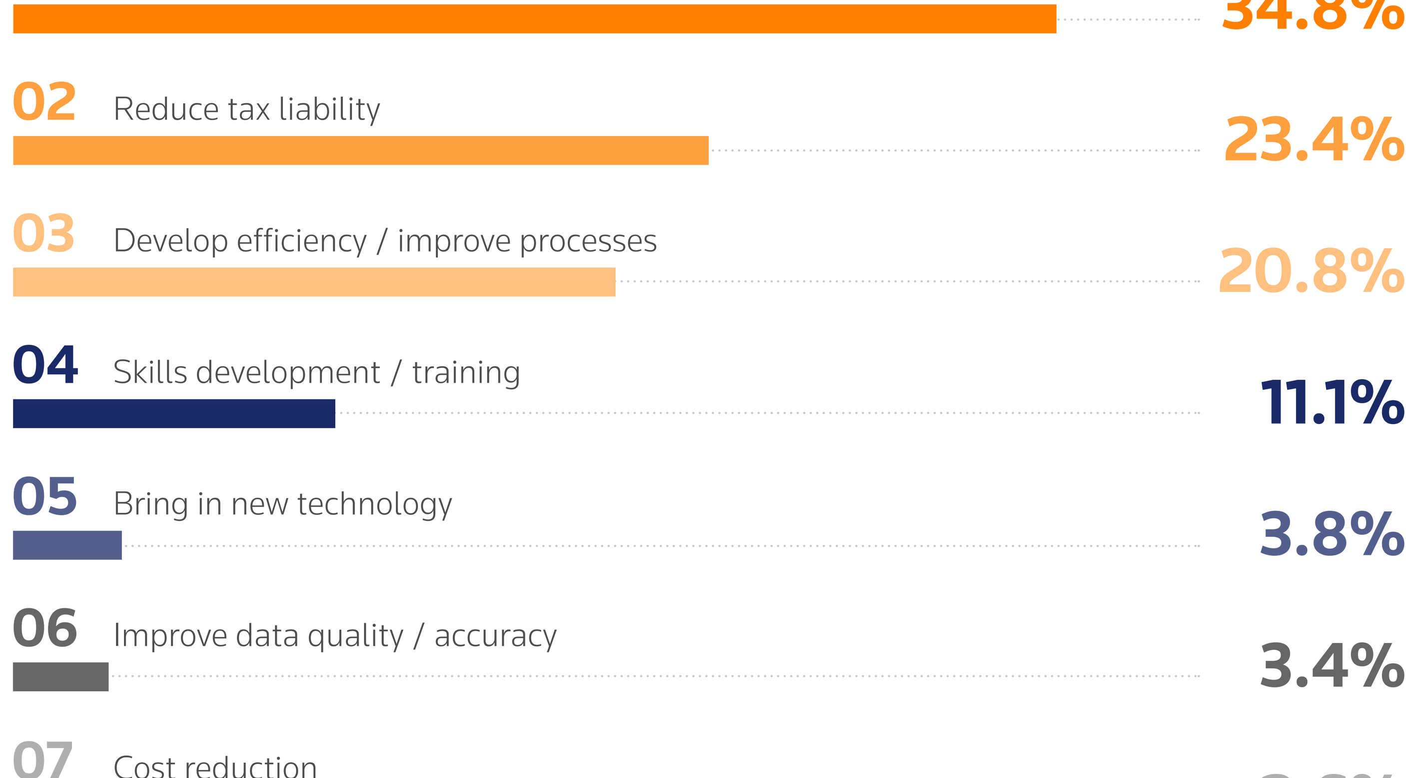
Poll Questions

1 Tax Practice Priorities

At a time when the tax and accounting profession is experiencing unique challenges, a quick poll of their priorities during this time shows tax compliance as their number one concern. Unsurprisingly, as Thomson Reuters presenter Ian Murray-Jones commented, reducing their tax liability was high on their list of concerns, with improving efficiency and processes running third.

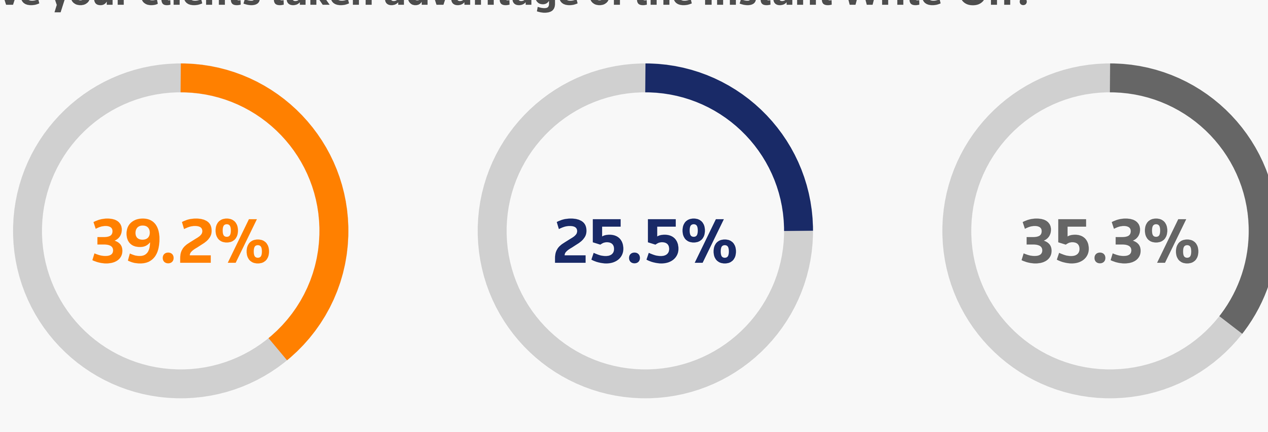
What do you see as a priority for your tax practice/team during this period?



2 Instant Asset Write-Off Measure

Although confidence and cashflow are suffering significantly under the shroud of COVID-19, there is no doubt that the Instant Asset Write-Off measure is being taken up, with almost 75% of clients taking it up or planning to.

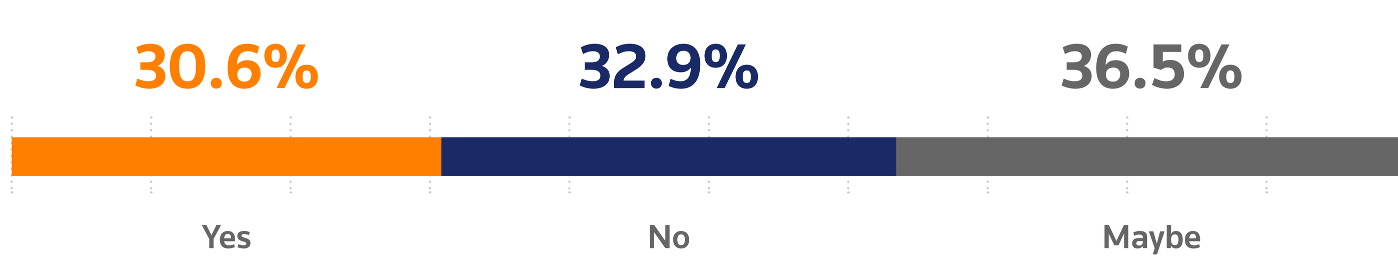
Have your clients taken advantage of the Instant Write-Off?



3 Company Tax Drop and Dividend Payments

With the company tax rate reducing on 1 July, presenter Tony Greco from the IPA was interested to see how this would be reflected in dividend payments. Less than one-third planned to make that commitment before year end.

If your company is going to benefit from the lower tax rate (from 27.5% to 26%) on 1 July, do you plan on paying a dividend before year end?



Live Q&A

Webinar attendees submitted almost 130 question to the expert presenters, focusing on the conditions applying to and the impact on the government's cash flow boost, the instant asset write-off, accelerated depreciation, JobKeeper, work-related expenses, superannuation early release, vacant land and CGT, writing off bad debts, the general small business pool, and more!

Here are the six live Q&As with responses from the presenters:

Q1: Trust resolutions – How can we make a trust resolution before year end when accounts have yet to be finalised?

A: Tony Greco, General Manager Technical Policy, Institute of Public Accountants

This is a perennial issue. Trusts have to make a resolution or show it's been done before the end of the financial year unless trustees nominate an earlier date which is possible. There are tremendous streaming opportunities for trusts and all you need to do is put in writing an estimate of to which beneficiaries you want those franked dividends and capital gains to go. There's no expectation to have exact amounts. If they are exact, it shows to the ATO that you haven't done it before the end of the financial year!

Q2: How can I pay out the non-assessable cash flow boost received by the entity in a tax effective manner?

A: Tony Greco, General Manager Technical Policy, Institute of Public Accountants

It will depend on the entity. The cash flow boost is non-assessable, non-exempt income for the sole trader. For a company, it's non-assessable, but if the company wants to flow out that amount to its shareholders then it will be an unfranked dividend. And therefore the company needs to see if it has available franking credits in its franking account. If they have the cash available on that basis, they can declare a dividend and grab some of those franking credits lying dormant in the company and attach a franking credit to that distribution. If you're a base rate entity and the tax rate drops to 26%, it's more advantageous to do that that this year than next year because you're attaching more franking credits.

For trusts and unit trust issues, the situation is more problematic, eg with a unit trust if it's non- assessable you have CGT event E4 which could reduce the cost base and create a capital gain. We're seeking further clarification on those trust issues from the ATO.

Q3: Would the car limit discussed earlier also apply to taxis?

A: Ian Murray-Jones, Thomson Reuters

Yes it does, you look at the definition of a car – and see if the vehicle satisfies it. Cars (for income tax purposes) are defined as any motor-powered road vehicle (including a 4-wheel drive vehicle) that is designed to carry a load of less than 1 tonne and fewer than 9 passengers. If the taxi meets that definition of a car then it's subject to the limit (of $57,581 for the 2019-20 financial year). The statutory methods for working out deductions for car expenses such as cents/km logbooks are not available to taxis.

Q4: What is the Single Touch Payroll finalisation due date?

A: Tony Greco, General Manager Technical Policy, Institute of Public Accountants

We are cautioning people not to lodge early, because of single tax payroll. If you are large company of 20+ employees those employers must finalise STP data by 14 July.

If you employ less than 20, then you have until 31 July to finalise the data.

Because the employer can change the data until those dates – you don't want to lodge early until that data is locked in. So if employees log in early the figures may not be finalised.

Jobseeker is not part of STP, they'll need Centrelink to drop that amount into their pre-fill.

If they're receiving JobKeeper, that will be going through STP.

Q5: In relation to the early release of super, in what circumstances can a deduction be claimed in the individual return?

A: Tony Greco, General Manager Technical Policy, Institute of Public Accountants

It's a great question, with the COVID measures the government has allowed people to early access super outside of the normal arrangements, and close to 2 million people have jumped at that.

You wouldn't expect someone who is under financial stress to be in a situation to make a contribution, but the law does allow someone to make a concessional contribution up to S25K.

When the early release measure was put in place, the ATO wouldn't have expected that someone who was under financial stress and withdrawing their super would still be looking at making a further contribution. But the circumstances of those taxpayers may have changed, and they may be in a position to make that further contribution. However the ATO may try to pull out the anti-avoidance trump card and say you're double tipping, but I would challenge the ATO and say they can't always use Pt 4A to stop a deduction if circumstances have changed.

The ATO will however be releasing some guidance soon around whether you can make a deductible contribution before year end. But tread carefully.

Q6: Regarding the denial of expenses for vacant land – does this include rental properties that are under construction?

A: Tony Greco, General Manager Technical Policy, Institute of Public Accountants

This new measure takes effect from 1 July 2019. It applies to vacant land and to land with any dwelling that is not inhabitable, that is not available for rent.

Essentially if you're constructing residential premises that will earn income in the future – you will be denied deductions for interest on funding the construction or for any land taxes. The measure is aimed at the investor who sits on land indefinitely or someone who is in the construction phase.

This is a big change. We caution everyone doing returns this year to watch out for the impact of this measure.

Tools to equip your practice for the future

Supporting the valuable and practical information shared by our expert presenters, Thomson Reuters can equip you with the tools to help execute all the work ahead.

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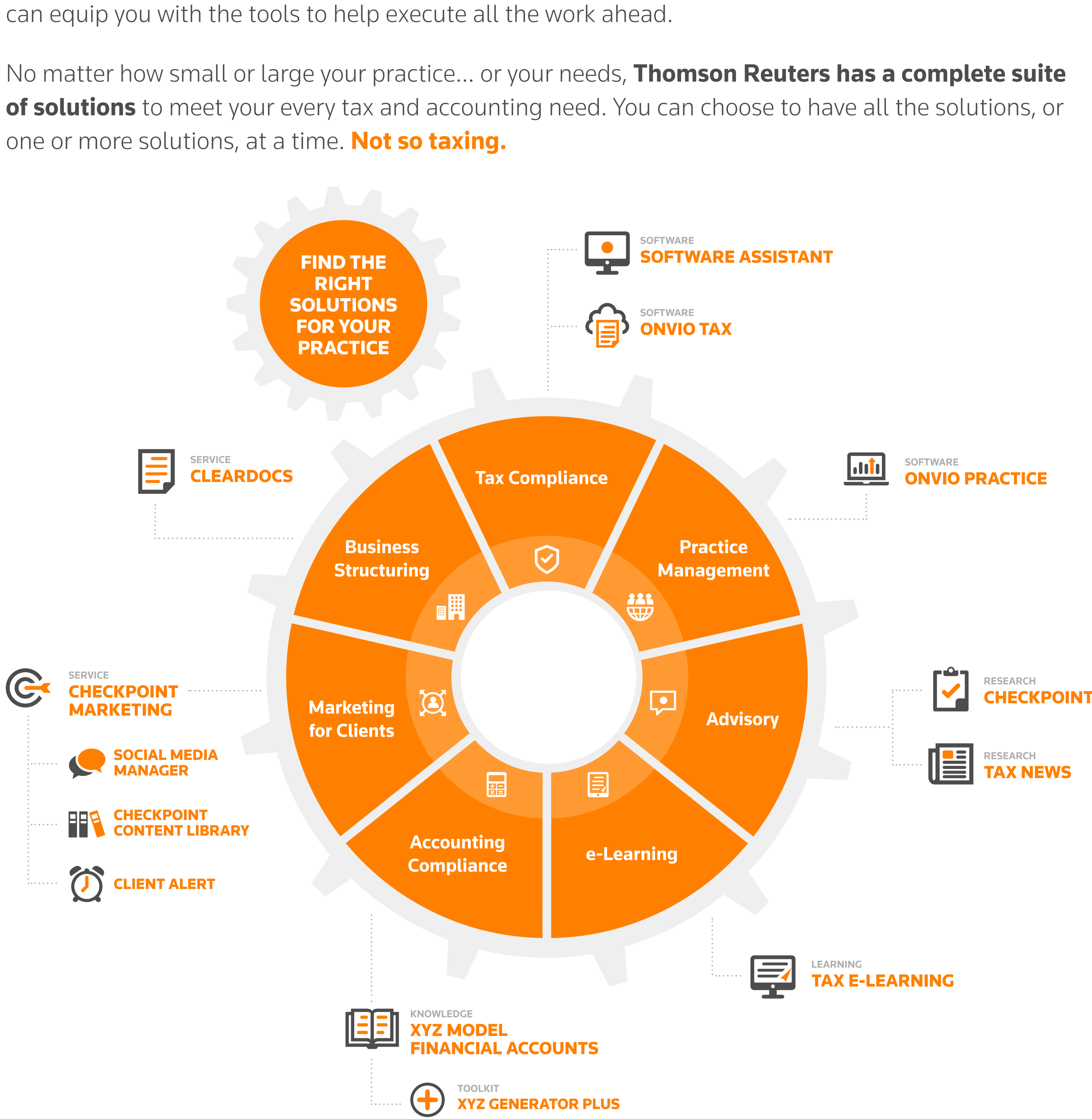

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