GOODMAN
CHARTERED ACCOUNTANTS

NEWSLETTER 2022

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WHAT'S INSIDE THIS ISSUE:

OUR BUSINESS

WEBSITE

We encourage you to browse through our updated website at www.dgca.com.au and use the tools available.

SOCIAL MEDIA

Please follow our Facebook and Instagram pages to receive regular updates to reminders, advice and important information regarding tax updates and government announcements.

See links below:
www.facebook.com/goodmancharteredaccountants
www.instagram.com/goodmancharteredaccountants

REMINDER

THINGS TO DO BEFORE JUNE 30

There are a number of key issues that Businesses and Individuals should consider in preparing their income tax returns for the year ended 30 June 2022. Refer to **"Things to do Before June 30"** which was emailed or mailed to you, but alternatively can be found on our website under Client Tools - Current.

CHECKLISTS

Please download the relevant 2022 checklists from our website under Client Tools - Current for:

- Individual Tax Checklist
- Business Tax Checklist
- SMSF Tax Checklists
- Incorporated Associations Checklist
- Rental Property Investment Fact Sheet

Please read, complete and provide the relevant information in order to identify what you need to do to assist us in preparing your taxation returns and financial statements in a prompt, and cost efficient manner.

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2022 TAX HIGHLIGHTS

Due to the Coronavirus pandemic, the Federal Government have released the 2022-23 Federal Budget. Some of the key features of these budgets are:

- Extension of the ATO Tax Avoidance Taskforce established to undertake compliance activities, detect tax avoidance and protect the integrity of the tax system.
- Individuals - The low to middle income tax offset has been increased to a maximum of $1,500 (an increase of $420 on the prior year), a short term reduction of the fuel excise, and a $250 cost of living payment for eligible Centrelink and Concession cards holders.
- Temporary reduction of superannuation minimum pension withdrawals extended for a further year until 30 June 2023
- Changes to paid parental leave by rolling the Dad & Partner pay into a single Parental pay scheme of up to 20 weeks. The eligibility is also now determined on a family income means test, rather than just the mother's income.
- The Home Guarantee Scheme has been extended to provide for eligible buyers to purchase a home with a reduced deposit, without having to pay lenders mortgage insurance.
- From 1 July 2022, employers will be required to make superannuation guarantee payments to the eligible employee's super funds regardless of how much the employee is paid. Previously this was not required if their monthly income was less than $450 or annual income was less than $5,400.
- Skills and Training Boost - eligible small businesses who incur expenditure on external training courses for their employees can claim an additional 20% of the cost.
- Technology Investment Boost - eligible small businesses will be able to deduct an additional 20% of expenditure incurred to support digital adoption such as portable payment devices, cyber security systems and cloud-based subscriptions capped at $100.000 annually.
- Modernisation of the PAYG Instalment system - This new policy aims to allow the ATO access to your live accounting software to determine your quarterly PAYG instalments. This is expected to be in place by 1 January 2024.
- Taxable Payments Reporting - from 1 January 2024, the Government will allow businesses to align its taxable payments report with its activity statement reporting cycle through their accounting software.

Some of these items are explained in more detail below and highlighted in the summarised 2022-2023 Federal Budget Report on our website and social media pages.

BUSINESS

DIRECTOR ID'S

All existing clients who are directors' of a company will have already received documentation from us regarding setting up a Director ID. This is a unique identifier given to a director who has verified their identity with the ABRS. All directors need to apply for their own Director ID, as we cannot do this for you. This is compulsory and failure to obtain one is a criminal offence and severe penalties apply.

When you need to apply:

DATE YOU BECAME A DIRECTOR	DATE YOU MUST APPLY
On or before 1 October 2021	By 30 November 2022
Between 1 November 2021 & 4 April 2022	Within 28 days of appointment as Director
From 5 April 2022	Before appointment as Director

Penalties for non-compliance

OFFENCE	MAXIMUM PENALTIES FOR INDIVIDUALS
Failure to have a Director ID when required to do so	$13,200 (Criminal) $1,100,000 (Civil)
Failure to apply for a Director ID when directed by the Registrar	
Applying for multiple Director ID's	$26,640, 1 year imprisonment or both (Criminal) $1,100,000 (Civil)
Misrepresenting Director ID	

SINGLE TOUCH PAYROLL - PHASE 2

From 1 January 2022, the ATO introduced STP - Phase 2. Major software providers such as MYOB, Xero, Quickbooks and Reckon have obtained an extra 12 months to allow employers to adopt the new STP.

Phase 2 expands the data being collected each pay period. There is now a requirement to separate the components of gross earnings into separate categories, such as:

- allowances (sorted by specific categories)
- paid leave (classified by leave types)
- overtime
- bonuses and commissions
- director's fees
- Lump sum payments and employment termination payments (classified by type)
- salary sacrifice and deduction amounts (sorted into specific categories)

Other information captured in STP Phase 2 includes:

- Employee's basis of employment (full time, part time, casual, labour hire, non-employee)
- tax treatment of employee
- reason for employee's termination
- income type and country

We will send out instructions for MYOB, Xero and Quickbooks on how to roll into STP Phase 2. Our recommendation is to do this once you have finalised the 2022 STP Year. An employer STP Phase 2 checklist can be found on the ATO's website.

SKILLS & TRAINING AND TECHNOLOGY INVESTMENT BOOSTS

The 2022/23 Budget introduced boosts for eligible small businesses for both skills and training and technology investment. Small businesses with an aggregated turnover of under $50m will be able to deduct an additional 20% incurred on:

Skills & Training

- expenditure incurred on external training courses provided to the employees;
- must be delivered by entities registered in Australia and are provided to employees either in Australia or online.
- The expenditure was incurred between 7:30pm 29 March 2022 and 30 June 2024
- It cannot be claimed by an entity with no employees (eg a sole trader)
- It cannot be claimed for in-house training or on the job training

Technology Investment Boost

- expenditure incurred to support digital adoption, including on the purchase of depreciable assets.
- eligible expenditure includes portable payment devices, cyber security systems and subscriptions to cloud-based services.
- There is an annual limit of $100,000 to each qualifying year
- The expenditure was incurred between 7:30pm 29 March 2022 and 30 June 2023

How is it claimed

- Expenditure incurred between 7:30pm 29 March 2022 and 30 June 2022 will be claimed at 100% in the 2022 tax return, with the extra 20% boost claimed in the 2023 tax return
- Expenditure incurred between 1 July 2022 and 30 June 2023 will be claimed at 120% in the year in which it was incurred.

Neither of these have been passed at the time of writing, and further details of eligible expenses will be available once they have passed.

TEMPORARY FULL EXPENSING OF ELIGIBLE BUSINESS ASSETS

This is the only immediate write off of eligible business assets that will be available in the 2022 financial year. The instant asset write off and Backing Business Investment schemes both ended on 6 October 2020.

Eligible businesses are able to deduct the full amount of the eligible asset either new or second hand if it was purchased and first used or installed from 6 October 2020 until 30 June 2023. There is no limit on the amount of the deduction (unless it is a motor vehicle that cost more than $60,733 including GST)

RESEARCH & DEVELOPMENT TAX INCENTIVE

The R&D tax incentive encourages companies to engage in R&D benefiting Australia, by providing a tax offset for eligible R&D activities. It has two core components:

- a refundable offset for certain eligible entities whose aggregate turnover is less than $20 million of up to 43.5% of the R&D expenditure
- a non-refundable tax offset for all other eligible entities of up to 38.5% of the R&D expenditure

Your eligibility to claim the R&D tax offset will also depend on where you are conducting your R&D activities and, importantly, what those activities are.

For more information regarding this offset, please refer to the ATO website at: R&D Tax Incentive.

LOSS CARRY BACK TAX OFFSET

Loss carry back offset provides a refundable tax offset where eligible corporate entities can 'carry back' tax losses in their 2021, 2022 & 2023 tax returns to offset profits and tax paid as far back as the 2019 year.

Eligible entities get the offset by choosing to carry back tax losses to earlier years in which there was an income tax liability. The offset effectively represents the tax the eligible entity would save if it was able to deduct the loss in the earlier year using the loss year tax rate. As it is a refundable tax offset, it may result in a cash refund, a reduced tax liability or a reduction of a debt owing to the ATO.

The amount of the tax offset available is limited to your franking account surplus on the last day of the income year for which you claim it.

YEAR TAX LOSS INCURRED	YEAR TAX LIABILITY PAID
2019/2020	2018/2019
2020/2021	2018/2019 2019/2020
2021/2022	2018/2019 2019/2020 2020/2021
2022/2023	2018/2019 2019/2020 2020/2021 2021/2022

SELF ASSESSED EFFECTIVE LIVES FOR INTANGIBLE ASSETS

Currently, the effective lives for intangible depreciating assets such as patents, registered designs, copyrights and in-house software are prescribed in the tax legislation. The 2021 Federal Budget adopted a measure to allow taxpayers to self-assess the effective lives of eligible intangibles giving a greater ability to align the tax treatment with the actual economic benefits provided from the asset. This measure will apply from 1 July 2023.

NOT FOR PROFIT - SELF ASSESSMENT FOR INCOME TAX EXEMPTION

Currently, non-charitable Not for Profits can self-assess their eligibility for income tax exemptions, without an obligation to report to the ATO. 'Self Assess' means an organisation can work out for itself whether it is income tax exempt or taxable. It is proposed the ability to 'self assess' will change, such that the ATO will require income tax exempt NFP's with an active ABN to submit online self-review forms annually. These forms will utilise the information they ordinarily use to self-assess their eligibility for the exemption. It is proposed this measure will commence from 1 July 2023.

COMPANY TAX RATES

Different company tax rates apply, depending on whether your company qualifies as a 'Base Rate Entity' or not. For your company to qualify as a Base Rate Entity in 2021/2022 it must satisfy two requirements:

1. The company's aggregated turnover is below the $50m threshold
2. The company satisfies the passive income threshold

Aggregated turnover threshold

A company's aggregated turnover is the sum of:

- the company's own annual turnover; and
- the annual turnover of entities "*connected with*" the company; and
- the annual turnover of any "*affiliate*" of the company.

Passive Income Threshold

If a company satisfies the aggregate turnover threshold, it must **also** satisfy the passive income threshold to qualify as a "base rate entity". This test is satsified if **no more than 80%** of the company's assessable income is made up of "base rate passive income", which includes the following:

- Corporate distributions and franking credits
- Royalties and rents;
- Interest income (exceptions apply)
- Gains on qualifying securities
- Net capital gains; and
- Income from partnership and trust distributions derived from the above sources.

Franking Credits & Corporate Tax Rates

The maximum franking credit that can be attached to a dividend is relative to the corporate tax rate for that entity. Therefore, if you qualify as a base rate entity, you cannot use the 30% franking rate. This may result in your company having trapped franking credits where prior year's income was taxed at the higher rate of 30%.

The tax rates that apply to companies are as follows:

YEAR	AGGREGATED TURNOVER	BASE RATE ENTITY TAX RATE	ALL OTHER COMPANIES TAX RATE
2017/2018	$25,000,000	27.5%	30%
2018/2019 & 2019/2020	$50,000,000	27.5%	30%
2020/2021	$50,000,000	26%	30%
2021/2022	$50,000,000	25%	30%

TRUST DISTRIBUTIONS - ATO CRACKDOWN

The ATO has released new guidelines on the distribution of income from discretionary trusts, in particular where the beneficiary who is made entitled to the income, is not the beneficiary who benefits from the distribution.

When this happens the ATO will apply Section 100A which will result in the trustee being taxed at 47% on that beneficiary's share of the trust's income.

Common examples that will come under scrutiny include:

- Distribution of profits to adult children that don't exceed the tax free threshold or have a significantly lower marginal tax rate.
- Distribution of profits to companies to take advantage of a lower tax rate
- Distribution to entities with tax losses

In short, unless the benefit from the distribution has been passed on to the beneficiary, then they are not presently entitled to the income. We strongly recommend discussing your situation with us before signing your Trust Resolutions to ensure that your distributions are compliant and will not trigger Section 100A.

SUPERANNUATION

TEMPORARILY REDUCING SUPERANNUATION MINIMUM WITHDRAWAL LIMITS - EXTENDED

The Government has extended the temporary reduction in superannuation minimum limits for Pensions by 50% for the 2019-20, 2020-21, 2021-22 and 2022-23 financial years. This measure will benefit individuals with pensions by reducing the need to sell superannuation fund assets to fund minimum drawdown requirements. There is no requirement to adopt the lower rate, it is up to the superannuation fund member if they choose to. The minimum pension rates are as follows:

AGE RANGE	DEFAULT MINIMUM PENSION FACTOR	REDUCED MINIMUM PENSION FACTOR FOR 2019/2020 – 2022/2023
Under 65	4%	2%
65-74	5%	2.5%
75-79	6%	3%
80-84	7%	3.5%
85-89	9%	4.5%
90-94	11%	5.5%
95+	14%	7%

SUPERANNUATION GUARANTEE ELIGIBILITY THRESHOLD REMOVED

The 2021 Federal Budget proposed the removal of the $450 per month minimum income threshold which determines whether employees have to be paid the superannuation guarantee by their employer. This is now law and means that from 1 July 2022, eligible employees who earn less than $450 per month will be paid super guarantee on their wages if they satisfy other eligibility requirements.

SUPERANNUATION GUARANTEE MINIMUM PERCENTAGE INCREASED

The superannuation guarantee refers to the minimum percentage of earnings an employer needs to pay into their employee's superannuation fund. The superannuation guarantee is currently 10%, but will increase to 10.5% on 1 July 2022. In line with previous legislation, this % is to increase by 0.5% each year until it reaches 12% on 1 July 2025.

Please ensure your Single Touch Payroll software is up to date to reflect this increase.

SUPERANNUATION CONCESSIONAL & NON CONCESSIONAL CAP INCREASE

From 1 July 2022, the superannuation concessional and non-concessional contributions caps will be increased. The new caps will be:

SUPERANNUATION CONCESSIONAL & NON-CONCESSIONAL CAPS			
Year	Concessional Contribution Cap (per annum)	Non-Concessional Contribution Cap	Maximum superannuation balance @ 30 June year prior
1 July 2017 – 30 June 2021	$25,000	$100,000 per year or $300,000 over 3 years	$500,000 (concessional contribution) $1.6 million (non-concessional contribution)
From 1 July 2021	$27,500	$110,000 per year or $330,000 over 3 years	$500,000 (concessional contribution) $1.7 million (non-concessional contribution)

If you did not make concessional contributions of $25,000 in 2018/19, 2019/20, 2020/21, then whatever remained in those years will have carried forward, meaning you could contribute a lump sum before the end of 30 June 2022 without breaching the concessional contributions cap. Bear in mind that this cap includes contributions made by your employer during those years. The annual cap in 2019-2021 was $25,000 and the annual cap for 2022 is $27,500.

In order to be eligible to do this, your superannuation fund balance must be less than $500,000 at 30 June 2021. Unused cap amounts can be carried forward for up to five years, at which point the cap reduces back to the current annual limit.

From 1 July 2021, personal contributions are deductible for all taxpayers under the age of 67. If you are between 67 and 74 you are required to meet a Work Test, which currently is 40 hours in a 30 consecutive day period. If you have made a personal contribution to your superannuation fund prior to 30 June 2022 and you wish to claim it as a tax deduction, ensure that you complete a 'Notice of Intention to Claim a Tax Deduction' with your superannuation fund and retain their confirmation letter in order to claim it in your tax return.

SUPERANNUATION CONCESSIONAL & NON CONCESSIONAL CAPS

It is important to note that once you advise your superannuation fund of your intention to claim a tax deduction on the contribution, the total claimed will be taxed in the superannuation fund at 15%. Depending on your level of income and applicable tax rate, we recommend consulting with us to determine how much, if any, you are eligible to claim.

Penalties apply for breaching your concessional contributions cap, so we recommend contacting your superannuation fund or our Office to determine if you have a rollover cap, how much you could contribute before breaching the cap and what could be claimed as a tax deduction.

Non Concessional Contributions
The non concessional contribution cap (ie. non taxable contributions) for 2021/2022 is $110,000 per year from 1 July 2021. There is a bring forward rule which allows you to bring-forward the next 3 years of your annual non-concessional contributions cap into the current financial year, meaning you could contribute up to $300,000 to 30 June 2021, or $330,000 from 1 July 2021 in one year without breaching the cap.

Non Concessional contributions are not taxed and include any personal contributions you make which you didn't claim a tax deduction for in your tax return. It also includes any spouse contributions that your spouse has paid into your account.

Your superannuation fund at 30 June 2021 must have a balance of less than $1,700,000. In order to access the bring-forward arrangement you must be less than 67 years old on 1 July 2021.

We recommend contacting us before making any lump sum non concessional-contributions to your superannuation fund to ensure your are eligible and that you do not breach the non-concessional contributions cap as penalties apply.

Downsizer Contributions
From 1 July 2022, Australians over 60 will be eligible to make downsizer contributions. Previously, this was limited to Australians aged over 65. A downsizer contribution allows a person to sell their own home if they had owned it for at least 10 years and then make a one off contribution of up to $300,000 into superannuation. Couples can contribute up to $600,000 combined. These contributions do not count towards either your concessional or non concessional contribution caps.

INDIVIDUALS

NEW TAX RATES

There has been no changes to the tax rates from 1 July 2021. The current rates are:

RESIDENTS – 2020/2021 ONWARDS	
Taxable Income	**Tax on this Income**
$0 - $18,200	Nil
$18,201 - $45,000	19c for each $ over $18,200
$45,001 - $120,000	$5,092 plus 32.5c for each $1 over $45,000
$120,001 - $180,000	$29,467 plus 37c for each $1 over $120,000
$180,001 and over	$51,667 plus 45c for each $1 over $180,000

The above rates do not include the Medicare Levy of 2%

NON-RESIDENTS – 2020/2021 ONWARDS	
Taxable Income	**Tax on this Income**
$0 - $120,000	32.5c for each $1
$120,001 - $180,000	$39,000 plus 37c for each $1 over $120,000
$180,001 and over	$61,200 plus 45c for each $1 over $180,000

LOW AND MIDDLE INCOME TAX OFFSETS

The low and middle income tax offset has been increased and the low income tax offset will still be available in the 2021/22 year.

This offset is calculated when you lodge your return and how much you will receive depends on your level of income. It is an offset, so it reduces the amount of tax you pay, any unused amount of the offset is not refundable.

LOW AND MIDDLE INCOME TAX OFFSET	
Income	**Offset**
Up to $37,000	$675
$37,001 - $48,000	$675 + 7.5c for each $ above $37,000, up to a maximum of $1,500
$48,001 - $90,000	$1,500
$90,001 - $126,000	$1,500 – 3c for each $ above $90,000
$126,000 +	Nil

LOW INCOME TAX OFFSET	
Income	**Offset**
Up to $37,500	$700
$37,501 - $45,000	$700 – (Taxable income - $37,000) x 5%)
$45,001 - $66,667	$325 – (Taxable income - $45,000) x 1.5%)
$66,667 +	Nil

CRYPTOCURRENCY TRADING

The ATO are now made aware of any cryptocurrency trading you may have undertaken. It is a common misconception that you only need to declare cryptocurrency trading when you cash it in. This is in fact not correct. Trading of cryptocurrency is no different to trading shares or selling an investment property. It is subject to capital gains tax when a recognised event takes place.

A capital gains tax event occurs when you dispose of your cryptocurrency. A disposal can occur when you:

- sell or gift cryptocurrency
- trade or exchange cryptocurrency (including the disposal of one cryptocurrency for another cryptocurrency)
- convert cryptocurrency to fiat currency, such as Australian dollars; or
- use cryptocurrency to obtain goods or services.

If you have been trading large volumes of cryptocurrency, we have software which can import your digital wallets or spreadsheets to bring in all of your transactions in one place. This allows us to determine your total loss or gain on your trading and any capital gains discounts that may apply. This software does incur a one off cost.

You will need to supply us with all the information on your cryptocurrency trading in order to correctly calculate any capital gain/loss in your tax return.

PAYROLL TAX

If you are are an employer or part of a group of employers, who pay taxable wages in Queensland and your wages are over the thresholds below, you must register for payroll tax with the Office of State Revenue. The thresholds are as follows:

PAYROLL TAXABLE WAGES THRESHOLDS			
Financial Year	Threshold		
	Weekly	Monthly	Yearly
2012/2013 – 2018/2019	$21,153	$91,666	$1,100,000
2019/2020 – 2021/2022	$25,000	$108,333	$1,300,000

The payroll tax rate is 4.75% - 4.95% depending on whether the taxable wages paid are over or under $6,500,000. (If you are located in a regional area, such as Cairns, this rate of tax is reduced by 1%).

Taxable wages include cash and non-cash wages, third party payments, superannuation contributions and salary sacrifice amounts. In general, wage payments are liable for payroll tax if they are a reward for services rendered by an employee or payments to which the recipient has an enforceable right.

The following payments are exempt from payroll tax:

- Jobkeeper Payments
- Apprentices & Trainees (if under a genuine apprenticeship or traineeship)
- Parental pay
- Military Leave
- Local authorities or councils
- Genuine Redundancy payments
- Qld Hospital and Health Services employees
- Qld Government departments
- Public Hospitals
- Exempt Charitable institutions

For a full list and more information regarding these exemptions visit the Office of Fair Trading website at Payroll Tax Exemptions.

PAYROLL TAX LODGEMENT DATES

You need to lodge and pay returns by the standard due dates which can be found here: Payroll Tax Due Dates

LAND TAX

Land tax is payable when the total taxable value of an owner's investment or commercial property landholdings exceeds the relevant tax-free threshold. The Qld Government current land tax arrangements that are in place for many Queenslanders with investment or commercial properties remain unchanged following the 2020/2021 State Budget.

The rate of tax depends on what type of owner you are, the total taxable value of your land and if any exemptions apply. You are liable when the total taxable value of your land is:

- $350,000 or more - for companies, trustees or absentees
- $600,000 or more - individuals

You may be eligible for an exemption on land or part of the land if:

- it is your home and is in your name. You can only have one property as your home whether it be in Queensland or elsewhere.
- If all or part of the land is used solely for the purpose of primary production

Other exemptions apply for moveable dwellings (caravan parks), charitable institutions, aged care facilities, retirement villages, supported accommodation, society, club or association.

In either case, you will need to complete and lodge the necessary form to be granted the exemption.

WORKCOVER

It's important to remember that once a business starts hiring staff, they must be registered with Workcover. Worker's compensation is a type of insurance that can pay the wages and medical costs of employees who have been injured due to their employment. Each state has their own Workcover Insurance, but in Queensland it is with Workcover Queensland.
If you have a business in Queensland and employ workers, it is compulsory to insure them against work-related injuries. This is in the form of an Accident Insurance Policy to insure their workers with WorkCover Queensland.

To apply for an accident insurance policy, you will need to give WorkCover Queensland information on your business, including:

- the date you expect to begin employing people
- the estimated wages for your business
- your predominant business activity
- your ABN

Each year you must renew your policy by estimating the wages for the future year and declaring your actual wages for the prior year. For the 2020/2021 year, the due date of your wages declaration is 31 August 2022. The following shows what payments are included and not included in this amount:

PAYMENTS YOU MUST INCLUDE

- Total of all PAYG gross salary and wage payments
- all superannuation payments including salary sacrifice super
- any fringe benefits or other entitlements that have a monetary value
- total of all individual contractors who are deemed workers**
- Jobkeeper where the employee normally earned more than the minimum JobKeeper payment they were entitled to.

PAYMENTS YOU SHOULD EXCLUDE

- any allowances or expenses reimbursed for work related expenses
- lump sum termination payments
- excess period payments
- compensation payments reimbursed by WorkCover
- all payments to, or in respect of, Directors/Trustees/Partners
- Jobkeeper where the employee normally earns less than the minimum JobKeeper payment they were entitled to.

Please refer to the Wages definition manual from WorkCover Queensland for a comprehensive explanation on the above payments.

** Deemed workers are contractors who are engaged to perform work even if they may have their own ABN or are responsible for paying their own tax. Please refer to the following link to determine if your contractors are 'deemed workers' for WorkCover purposes - Who is a worker.

REGULATORY INFORMATION - ASIC

For businesses that operate under a company structure it is very important and a requirement of ASIC that any changes are advised within 28 days. If we manage your company's corporate compliance, please contact Angela of our Office in regard to changes of company officers, change to members, directors, secretaries, or change in any addresses so that we can lodge the appropriate documents with ASIC.

Each year, your company is required to pay the Annual Company Statement filing fee. From 1 July 2021, the fee for a company is $276 (GST free) and for company's which are a corporate trustee of a SMSF, the fee is $56 (GST Free). From 1 July 2022 these will increase slightly, however we do not know what they will be at the time of writing.

ASIC fees can be paid via BPay direct to ASIC.

DIVISION 7A - PRIVATE COMPANY BENEFITS

A payment or other benefit provided by a private company to a shareholder or their associate can be treated as a dividend for income tax purposes under Division 7A even if the participants treat it as some other form of transaction such as a loan, advance, gift, private use of a company asset or writing off a debt. It can also apply when a private company provides a payment or benefit to a shareholder or associate through another entity, or if a trust has provided a payment or benefit to the corporate trustee's shareholder or their associate.

The purpose of Division 7A is intended to prevent profits or assets being provided to shareholders or their associates tax free.

Shareholders of private companies and associates may be assessed on a deemed dividend (which is unfranked) if the company provides them with these benefits, unless the requirements of Division 7A are satisfied.

To best manage the issues arising from Division 7A, the following should be followed:

Avoid issues in the first place

Division 7A dividends may inadvertently arise as a consequence of a failure to keep private expenses separate from company expenses. To avoid this:

- Don't pay private expenses from a company account
- Keep proper records for your company that record and explain all transactions, including payments to and receipts from associated trusts and shareholders and their associates
- If you lend money to shareholders and their associates, make sure it's on the basis of a written agreement with terms that ensure it's treated as a complying loan - so the loan amount isn't treated as a Division 7A dividend. Our office can assist you in ensuring your loan is complying.

Repay or convert dividend amount by lodgement day

A payment or other benefit that's potentially subject to Division 7A isn't treated as a Division 7A dividend if it's repaid or converted to a complying loan by the company's lodgement day for the income year in which the payment occurs. A company's lodgement day is the actual day on which the company lodges its income tax return or the due date for lodgement, whichever is earlier.

This means that you can take corrective action after the income year is ended but before you need to finalise your tax affairs and lodge your return. Note, however, that the underlying transaction must occur by the lodgement day.

ATO relief

The law allows the Commissioner to disregard a deemed dividend outcome or allow the dividend to be franked in certain circumstances. This means that if you've made a mistake or circumstances have changed beyond your control, you can apply to the ATO for relief from the consequences of having Division 7A apply to a payment or loan.

LODGEMENT DATES

Various lodgement dates apply for the end of the financial year and for businesses, ensure you bring your work to us to complete it prior to the due lodgement dates, as penalties apply for late lodgement.

SUPERANNUATION CONTRIBUTIONS

Ensure that superannuation contributions for the year ended 30 June 2022 that you want to claim as a tax deduction are paid into your employee's superannuation fund before 30 June 2022. Our previous advice was to ensure payment is made no later than 15 June 2022 to allow time for processing and receipt into the fund. Although the due date for payment of the June 2022 quarter for your employees is not until 28 July 2022, paying it before year end will help maximise your tax deduction.

SINGLE TOUCH PAYROLL - PAYG WITHHOLDING REPORTING

It is now mandatory to be registered for STP, even if you are the only employee of your family business, for example. From 1 July 2021, you will need to declare your wages through single touch payroll on at least a quarterly basis. If you need help registering for STP, please contact our office.

Ensure that all pay runs have been processed through your Single Touch Payroll software before 30 June 2022. We recommend printing a payroll report for the period 1/7/2021 - 30/6/2022 to determine your gross wages and PAYGW amounts for the year before doing your End of Year STP Finalisation Declaration.

We recommend referring to your software website for instructions on how to do the STP EOY Finalisation as each software package will be different. The key date for the finalisation is 14 July 2022.

TAXABLE PAYMENTS REPORTING

The Taxable Payments Report (TPAR) tells the ATO about payments that are made to contractors for providing services to your business. Contractors can include subcontractors, consultants and independent subcontractors. They can be operating as sole traders (individuals), companies, partnerships or trusts.

The details you need to report about each contractor are generally found on the invoice you should have received from them. This includes:

- their ABN
- their name and address
- gross amount you paid them for the financial year (including any GST)

The report is now compulsory for the following industries:

- Building & Construction Services
- Cleaning Services
- Courier Services
- Road Freight Services
- IT Services
- Security, investigation or surveillance services
- Mixed Services (a business that provides one or more of the services listed above)
- Government entities

The TPAR is due for lodgement by **28 August 2022.** If your business has not used any contractors, you will need to lodge a TPAR non-lodgement advice. Penalties apply for non lodgement and late lodgement.

To lodge your TPAR you can:

- Log on to the ATO Business Portal, Select online forms, then Taxable Payments annual report.
- Through your MyGov account if you are an individual or sole trader - select Tax, then Lodgements, then Taxable Payments annual report
- Some accounting softwares, such as MYOB and Xero allow you to lodge your TPAR through the software, provided you have allocated the payments correctly during the year.
- We can lodge the form for you as your Tax Agent
- You can also lodge by paper using the Taxable Payments Annual Report (NAT74109) form. The original form must be sent to the ATO, photocopies will not be accepted.

WORKCOVER DECLARATIONS

WorkCover Declarations are due by 31 August 2022. If payment is made for your 2021/2022 policy before 16 September 2022, you will receive a discount on your premium. If not paid early, payment is due by 30 September 2022, unless a payment plan has been put in place.

JUNE BUSINESS/INSTALMENT ACTIVITY STATEMENT

The June Quarter Business Activity Statement is due by 28 July 2022. Ensure that this has been lodged prior to preparing your tax return as it needs to be lodged before your tax return can be processed. If we lodge your BAS/IAS for you, the due date is extended.

If you lodge a monthly BAS/IAS then the due date if self lodging is 21 July 2022.

INCOME TAX RETURNS 2022

It is expected that the ATO will start accepting tax returns from 7 July 2022. Ensure that you have received all of your income information before preparing your return. Your employer will have needed to finalise their annual reporting with the ATO through Single Touch Payroll before you can complete your return. Other information that comes from third parties such as bank interest, dividends, managed funds, superannuation contribution deductions and Private Health Cover information will need to be reported to the ATO before lodgement can be made.

OTHER INFORMATION

SPECIALIST ADVICE

We understand that there are many specialised areas and where we feel external specialist knowledge is required, with your prior consent, we will engage an appropriate person.

REVIEWS AND SEMINARS

We are happy to arrange visits to your business premises if you would like us to review your Office and Accounting procedures.

We are also able to conduct seminars and training sessions for you either at your business premises or our Office, in areas such as record keeping, GST, BAS, FBT, Superannuation or Financial Planning. We would welcome any suggestions in this area.

YOUR VALUED FEEDBACK

If there is other information you would like us to include in future newsletters please let us know. We always welcome constructive feedback as it is your requirements we aim to satisfy.

OUR APPRECIATION

We appreciate your continued use of our firm as your Accountant and Adviser and we look forward to providing professional services to you in the future. If you are happy with the services we have provided we would appreciate your referrals to potential new clients. We would be honoured if you could leave us a review on Facebook, Instagram or Google and share our posts with your family and friends.

Your business is our business!

We look forward to providing you with a high level of professional service in the future.

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