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EXPERT ADVICE

JOBKEEPER TARGETS & THE ATO

The ATO is looking carefully at businesses that appear to have made adjustments to their circumstances to meet the JobKeeper eligibility requirements where, if those adjustments had not been made, the entity would have been ineligible or had lower JobKeeper payments. Or, where adjustments have been made to enable another entity or subcontractor to meet the decline in turnover test.

Industries or businesses that have not experienced adverse trading conditions and those that appear to have increased staff numbers are likely to be looked at closely. In its guidance, the ATO sets out a series of examples that are likely to attract their attention:

- Increase in staff – where the number of staff the business reports have increased beyond levels that were previously required to run the business prior to 1 March 2020.
- Deferring supplies – in industries unlikely to be adversely impacted by the pandemic, the business agrees with its customers to defer making supplies, resulting in the company’s projected GST turnover declining to the level required to meet the turnover test.
- Bringing forward supplies - in industries unlikely to be adversely impacted by the pandemic, the business

brought forward supplies to be able to meet the decline in turnover test in a following month or quarter.

- Restructures – the example given by the ATO is a company that leases assets to third parties. The leasing business is generally unaffected by the pandemic. However, the business restructures and transfers the assets of the business to a new company. It then withholds the payment of dividends from the new company to the business resulting in a decline in the turnover of the business.
- Management fee manipulation – where inter-entity management fees are charged, the timing of the fee is changed to meet the decline in turnover test.
- Reduction in payments to subcontractors – where a business has reduced or deferred payments to subcontractors to enable them to meet the decline in turnover test. The ATO has stated that they will review the business and the subcontractors.
- JobKeeper used to reduce cost of supplies to customers – in this scenario, the business and its customers agree to reduce, waive or defer payments to enable the business to meet the decline in turnover test. JobKeeper is then used to fund the reduction in payments. In effect, JobKeeper is paying for the payment reduction.

LOW RISK SCENARIOS

If your industry or business has been adversely impacted by the pandemic, regardless of your structure or arrangements, it is unlikely the ATO will review your situation unless there has been an obvious attempt to increase JobKeeper payments.

To add certainty, the ATO notes that where a service entity that employs staff for a related entity has reduced management fees, either because the service agreement has been changed to reduce the fee by an amount that is proportional to the reduction in the trading entity's external turnover, staff have been stood down, or where the related entities cannot afford to pay the fee, and the industry is adversely impacted by the pandemic, the ATO will not generally seek to apply compliance resources.

WHAT IF I GOT IT WRONG?

If your structure or the way you have accessed JobKeeper is on the ATO target list, this does not mean that there is a problem. Eligibility to JobKeeper is generally based on an estimate of the negative impact of the pandemic on an individual business's turnover. Some will experience a greater decline than estimated while others will fall short of the required 30%, 50% or 15%. There is no clawback if you got it wrong as long as you can prove the basis for your eligibility going into the scheme.

For those that, in hindsight, did not meet the decline in turnover test, you need to ensure you have your paperwork ready to prove your position if the ATO requests it. You will need to show how you calculated the decline in turnover test and how you came to your assessment of your expected decline, for example, a trend of cancelled orders or trade conditions at that time.

If this article has raised questions for you, talk to us today.

CUPCAKES WITH CLAIRE

Frappuccino Cupcakes

Do you have some extra time to do some baking at the moment? Claire has shared a delicious cupcake recipe with us.

INGREDIENTS

- 1 box chocolate cake mix
- 3 large eggs
- 1/3 c. vegetable oil
- 1 c. brewed coffee
- 1/2 c. mini chocolate chips
- 1 c. butter, softened
- 5 c. powdered sugar
- 1/2 c. heavy cream
- 1/4 tsp. espresso powder
- Pinch of kosher salt
- Shaved chocolate, for garnish
- Chocolate syrup, for drizzling

METHOD

1. Preheat oven to 175°C and line two standard cupcake pans with 18 cupcake liners.
2. In a large bowl, combine cake mix, eggs, vegetable oil, and coffee. Stir until well combined then fold in chocolate chips. Divide between cupcake liners and bake until a toothpick inserted into the middle of a cupcake comes out clean, 18 to 20 minutes.
3. Let cupcakes cool in the pans for 10 minutes, then transfer to a cooling rack to cool completely.
4. Meanwhile make frosting: In a large bowl, combine butter and about half of the powdered sugar. Using a hand mixer, beat until mixture is smooth, then add the remaining powdered sugar, heavy cream, espresso powder, and salt. Beat until the mixture is fluffy, then transfer frosting to a pastry bag fitted with a large closed star tip.
5. Pipe frosting onto cooled cupcakes. Garnish with chocolate shavings and drizzle with chocolate syrup.



FINANCIAL PLANNING ADVICE

Super Guarantee Amnesty

IT'S TIME TO GET PAYROLL RIGHT

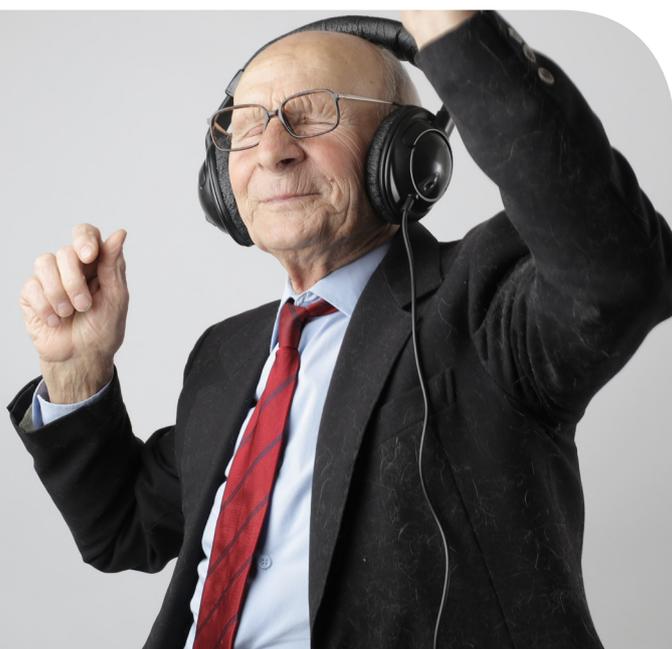
The superannuation guarantee (SG) amnesty provides employers with a one-off opportunity to “self-correct.” Now is the time to ensure that your payroll is correct and there are no hidden SG issues looming.

The amnesty applies from 24 May 2018 (the date of the original announcement) until 6 months after the legislation receives Royal Assent. Employers will have this period to voluntarily disclose underpaid or unpaid SG payment to the Commissioner of Taxation.

The amnesty applies to historical underpaid or unpaid SG for any period up to the March 2018 quarter.

To qualify for the amnesty, employers must disclose the outstanding SG to the Tax Commissioner. You either pay the full amount owing, or if the business cannot pay the full amount, enter into a payment plan with the ATO. If you agree to a payment plan and do not meet the payments, the amnesty will no longer apply. The amnesty only applies to “voluntary” disclosures.

Please contact us today if you would like a compliance review of your business undertaken or assistance to apply the amnesty.



CHANGE IS ON THE HORIZON

There are a number of changes scheduled to take effect on 1 July 2020.

Some of those changes include:

- 1** Company tax rate reduces to 26% for base rate entities
- 2** Cents per km rate for work-related car expenses increase to 72 cents
- 3** Expected reforms to allow 66 and 67 years olds to make voluntary superannuation contributions without satisfying the work test. This reform is not yet law.
- 4** Age limit for making superannuation contributions to your spouse increases from 69-74. This reform is not yet law.
- 5** For those 67 and under, reforms will enable you to use the ‘bring forward rule’ to make up to three years of non-concessional contributions. That is, you can make non-concessional contributions of up to \$300,000 from the 2020-21 financial year.

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