rdl overview

Spring 2020

INSIDE • The JobKeeper Extension • Instant Asset Tax Write-off Closing Soon • COVID-19 and Your SMSF • COVID-19 Home Office Concessions Extended • Support for Business Employing Apprentices and Trainees • ACNC Reviews of Charities

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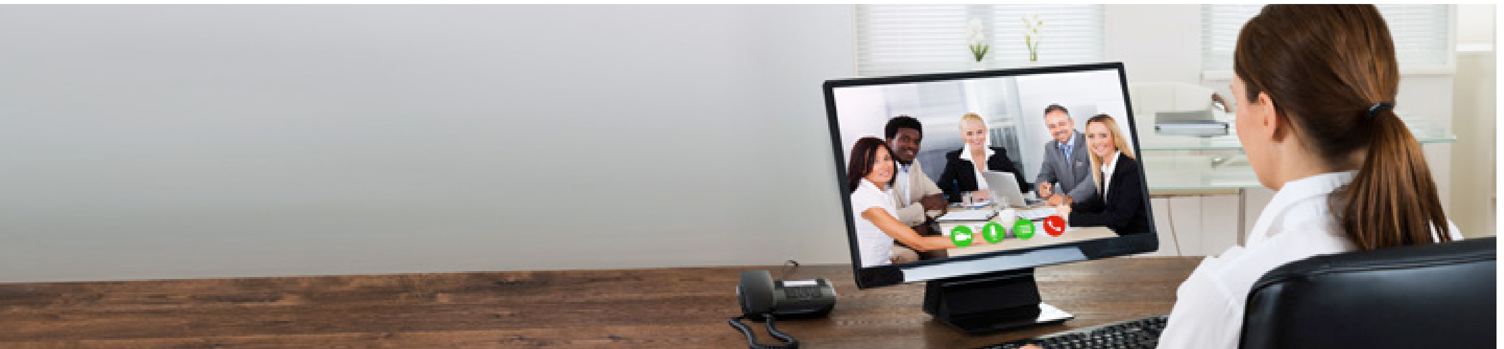
The JobKeeper Extension



In late July 2020, the Federal Government announced an extension to the JobKeeper measure beyond its 27th September 2020 conclusion date, with further measures announced in response to the additional COVID-19 restrictions imposed in Victoria. At the time of writing, only some of the legislation to enact these changes has been passed.

To be eligible for JobKeeper from 28th September 2020, the government has set out following additional criteria:-

1. The decline in turnover test is required to be re-tested on a quarterly basis;
2. The decline in turnover test is based on actual GST turnover rather than projected turnover;
3. Employees may qualify for JobKeeper if they were eligible employees at 1st July 2020 (previously 1st March 2020).
4. A two-tier payment rate depending on the eligible employee's or business participant's average working hours per week;
5. The current $1,500 per fortnight payment rate will be reduced on 28th September 2020, and then reduced further on 4th January 2021 until 28th March 2021.

What does it mean for business owners?

Employers should consider the following action steps as we move towards this second phase of JobKeeper.

1. **Re-test the decline in turnover test:** maintain good and timely records to determine whether the decline in turnover test has been satisfied on an ongoing basis.

   To be eligible for the JobKeeper extension for the period from 28th September 2020 to 3rd January 2021, employers will need to compare the actual GST turnover for the **September quarter only**.

   To be eligible for the JobKeeper extension for the period 4th January 2021 to 28th March 2021, employers will need to compare the actual GST turnover for the **December quarter only**.

2. **Identify additional eligible employees on 1st July 2020:** more employees may now qualify for JobKeeper, including newly hired employees, and long-term casuals who have been regularly and systematically employed for at least 12 months at 1st July 2020.
3. **Determine the type of worker:** employers should assess if employees worked more than 20 hours per week on average in the four weeks of pay periods before 1st March 2020 or 1st July 2020.
   Similarly, business participants should consider how they can ascertain hours actively engaged in their business for the month of February 2020 or June 2020.
4. **Meet the wage condition:** pay the eligible employees according to the new rates of JobKeeper depending on whether they are full-time or part-time employees.

Under the new arrangements, the following reduced JobKeeper rates will apply, depending on the classification of the worker as explained above, being either full-time (ie 20 hours or more) or part-time (less than 20 hours):-

	Full Time basis	Part Time basis
28th Sept 2020 to 3rd Jan 2021	$1,200 per fortnight	$750 per fortnight
4th Jan 2021 to 28th Mar 2021	$1,000 per fortnight	$650 per fortnight

The RDL JobKeeper team is able to assist you in ensuring that you correctly assess and maximise your entitlement to this stimulus payment.

David Tong
Manager – Taxation and Business Services

Instant Asset Tax Write-off Closing Soon

The Instant Asset Write-off, which was enhanced as part of the Federal Government's COVID-19 stimulus measures, is due to end on 31st December 2020. This tax incentive provides a 100% tax deduction for capital expenditure of up to $150,000 on new or second-hand assets **used or installed ready for use** by 31st December 2020. It applies to businesses with an aggregated turnover of up to $500m, and is intended to encourage investment in capital equipment by providing a significant up-front tax deduction. From 1st January 2021, the Instant Asset Write-off threshold is expected to revert to $1,000.

Joel Hernandez
Director – Audit, Tax & Business Services

When you're finished changing, you're finished.

Benjamin Franklin

COVID-19 and Your SMSF

COVID-19 has had an impact on many Self Managed Superannuation Funds (SMSFs). So, what are some of the key issues?

Early release of superannuation

When a member of your fund wants to access up to $10,000 of their superannuation early under the COVID-19 measures, there are some additional steps that trustees will need to take.

Trustees will need to ensure their deed allows for early release, the member has met the eligibility criteria for release, and ensure that no funds have been released until the release authority from the ATO has been received. This will be an area of focus for your SMSF audit.

Tenant Rent Relief

Setting rent for a tenant that is less than market value in an SMSF is usually a breach of superannuation laws. If the rental relief is provided to a related party, then the situation can become trickier as the difference between the rent charged and the market value can amount to a loan and potentially put the fund in breach of the in-house asset rules.

To help manage COVID-19 rent reductions for SMSF landlords, the ATO has stated that for the 2019-20 and 2020-21 financial years it will not take action where the rental relief is provided on arms-length terms. That is, the relief is in line with the National Cabinet Mandatory Code of Conduct for commercial leasing principles, has a set timeframe to it, and the reason for the relief and the relief provided is documented.

Relief for related party loans

If your SMSF has a limited recourse borrowing arrangement in place with a related party, and that related party provides repayment relief, this would ordinarily be a breach of the superannuation rules. The ATO however will accept the relief if it is provided on reasonable terms similar to commercial banks (see the Australian Banking Association's website for comparison), the relief and the reasons for it is documented, and it is for a set period of time.

A fall in asset values

If the assets of your SMSF have fallen in value, you should consider whether the current asset allocation is consistent with the fund's investment strategy, and if the long-term goals of the fund continue to be met. This is something that you can do in consultation with your financial planner, as it will provide greater perspective and clarity on the "bigger picture".

Minimum pension payments

For SMSFs paying pensions, the minimum pension draw down rates for the 2019-20 and 2020-21 years has been halved, to avoid funds being forced to realise assets in a depressed market in order to fund pensions. The following table sets out the minimum pension drawdown rates.

Age	Default Min. drawdown rates	2019-20 & 2020-21 reduced rates
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 or more	14%	7%

COVID-19 Home Office Concessions Extended

The ATO has recently announced an extension to the temporary shortcut method for claiming a tax deduction for home office running costs. This concessional rate of deduction, which was due to end on 30th June 2020, has now been extended to the 2020/21 tax year, in view of the large number of employees who continue to work from home, as a result of COVID-19.

Initially announced in early April 2020, the shortcut method allowed a taxpayer to claim a fixed rate of 80 cents per hour where he or she worked from home during the period from 1st March 2020 to 30th June 2020. The ATO has now extended this timeframe to 30 September 2020, and has signaled the possibility of further extensions.

The fixed rate of 80 cents per hour covers all the following running expenses:

- power, light and heating
- cleaning costs
- the decline in value and repair of home office items such as home office furniture and furnishings, phone, and computer or laptop devices
- phone and internet expenses
- stationery and computer consumables

It is important to note that if you choose to use this shortcut

method, you will not be able claim a further deduction for any of the expenses listed above, as this is an "all-inclusive" rate.

It is also worth noting that each individual working from home will be entitled to claim 80 cents per hour, irrespective of how many people live in the same house. This increases the appeal of this method where a number of home dwellers are working from the same location.

This method of claiming can be used where there is no separate or dedicated working space, which is a concession on the normal rules, and caters for many who have had to work from, for example, the dining table.

If you decide to use the shortcut method, it will be very important to keep a record of the hours worked. The ATO has specified that appropriate records could include a timesheet, roster, diary or similar document that sets out the hours you worked.

Claims for the period before 1st March 2020 and after 30th September 2020 will need to be based on the existing home office deduction rules, using either the fixed rate of 52 cents per hour, or the actual cost method. You may, of course, continue to use these existing home office deduction methods for claims made during the COVID-19 period. The shortcut method is merely an alternative that has been offered as a concession in the current climate.

If you need more information, or help in determining which claim is best for you, please contact our office.

Pey Wen Ter
Accountant – Audit, Tax & Business Services

Support for Business Employing Apprentices and Trainees

JobTrainer provides a 50% reimbursement to eligible employers for the cost of apprentice or trainee wages up to $7,000 per quarter. Originally only for small businesses employing less than 20 employees, the subsidy recently expanded to include businesses with under 200 employees. Unlike JobKeeper, it does not require employers to demonstrate a decline in turnover.

For small businesses (under 20 employees), the apprentice had to be employed on 1 March 2020 or on 1 July 2020 for claims after this date (claims are open now). For medium sized businesses (under 200 employees), the apprentice had to be employed on 1 July 2020 (claims open 1 October 2020). To access the subsidy, you will need to provide evidence of wages paid to the apprentice.

The subsidy is also accessible to larger employers employing apprentices let go by a small/medium business where that apprentice was eligible for the wage subsidy.

The subsidy is scheduled to end on 31 March 2021.

ACNC Reviews of Charities

In March this year, the ACNC announced that it would be reviewing approximately 500 Public Benevolent Institutions (PBI's) during the 2020/2021 financial year, to ensure that they are still eligible for endorsement in respect of their Deductible Gift Recipient (DGR) status, and their Fringe Benefits Tax exemption.

Public Benevolent Institutions comprise the largest group of charities with DGR endorsement, and will therefore be the first cab off the rank in the ACNC's review of DGR charities. The ACNC has stated that from 2020/21 it will review approximately 500 DGR charities per year.

The ACNC will use publicly available information like the ACNC register and charity websites, to conduct reviews. Initially it will be focusing on higher risk charities that:

- Were registered prior to the commencement of the ACNC (ie before 3rd December 2012); and
- Have not uploaded a governing document to the ACNC register; or
- Have one or less listed Responsible Persons with ACNC

Charities will not be contacted directly unless there are issues identified, in which case the ACNC has stated that it will work with charities to resolve these.

In view of the impending focus by the ACNC, DGR charities should ensure that their house is in order. The ACNC has released a DGR self-assessment tool, which charities can use to check whether that they are complying with the key components of registration with the ACNC. It contains a series of simple questions and statements about your charity and its ACNC registration. Your responses will provide an indication of your charity's compliance with ACNC obligations, and will help you identify any unresolved issues that need attention.

The tool is available at:

https://www.acnc.gov.au/for-charities/charity-tax-concessions/deductible-gift-recipients-dgrs-and-acnc/deductible-gift

The ACNC also has self-assessment tools for compliance with the ACNC Governance Standards and External Conduct Standards (applicable to charities supporting and conducting activities overseas):

https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/governance-standards/self-evaluation-charities

https://www.acnc.gov.au/for-charities/manage-your-charity/governance-hub/acnc-external-conduct-standards/self-evaluation

These tools are designed to help charities identify compliance issues, and using them will be a helpful exercise for your charity. The results from these tools do not need to be submitted to anyone, but if issues are identified, you should seek to address them in a timely manner.

Your charity may also need to review its publicly available information (websites, ACNC register, annual reports, social media etc.) to ensure that they all present a consistent compliant picture.

With ever increasing scrutiny on the Charity sector, Boards and Committees should ensure that their organisation is complying with the various government regulations.

Claire Harris
Manager – Not For Profit Specialist

You can't change conditions. Just the way you deal with them.

Jessica Watson, OAM,
around-the-world solo sailor

Disclaimer

The contents of this publication are general in nature. No person should act on the information contained without first seeking specific professional advice.

Insights

SPRING 2020

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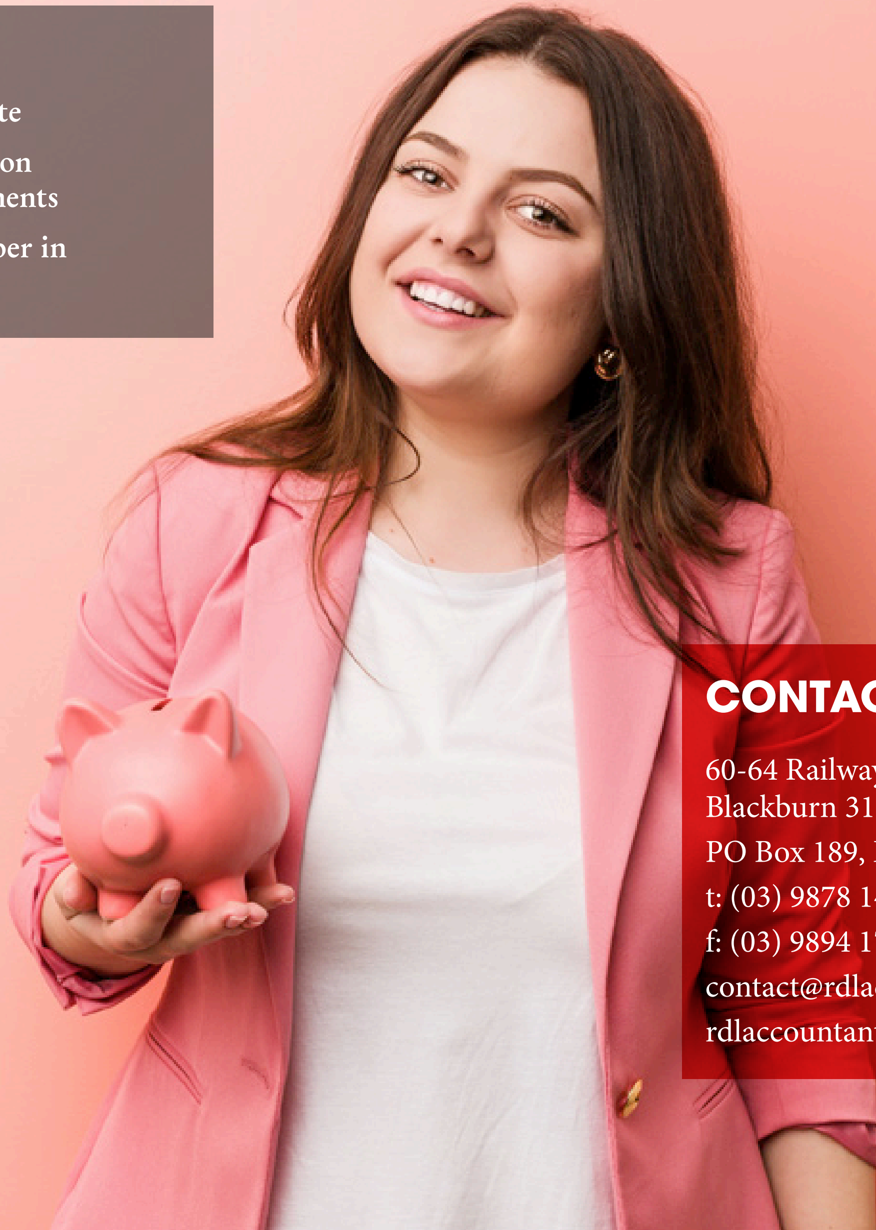

INSIDE...

- Market Update
- Superannuation Pension Payments
- Accessing Super in Retirement

CONTACT DETAILS

60-64 Railway Road,
Blackburn 3130

PO Box 189, Blackburn 3130

t: (03) 9878 1477

f: (03) 9894 1798

contact@rdlaccountants.com.au

rdlaccountants.com.au

Market Update

Following the surprise market recovery experienced in April and May we have seen many indexes continue their early stages of bouncing back. As countries begin to relax their Coronavirus restrictions, the positive effect of reopening major economies has been felt globally. However, some uncertainty remains over how quickly economies can be reopened without risking a second wave of COVID-19 cases.

The Westpac-Melbourne Institute Index of Consumer Sentiment experienced a bounce back of 16.4% to 88.1 as at the end of May. This follows last month's decrease of 17.7%. The astounding improvement in confidence can be attributed to the fact that consumers are reacting positively to Australia's successful response to COVID-19 and the subsequent relaxation of restrictions. The flow-on increase in consumer sentiment represents the largest monthly Index rise in the history of this survey. However, this is still considered the second worst result for the index since the GFC, remaining 7.6% below the six-month average covering September '19 to February '20. More positive outcomes were seen through the sentiment indicator on the 'economy, next 12 months' sub index, which rebounded 32.6% from its poor April result of 53.7 to finish at 71.2 in May.

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The Federal Government's plans to achieve a budget surplus have been shelved in order to deliver much-needed economic stimulus. It is important to note that prior to COVID-19, domestic economic growth was already below trend. This can be cited to increased levels of household debt and diminishing growth of wages, which in turn, lowered consumer spending. Despite Government stimulus and efforts from the RBA, unemployment is expected to remain at a higher level than prior to COVID-19 for some time. There are some concerns for the potential of significant unemployment growth when stimulus measures are withdrawn later this year. While there are ongoing reports that the economic outlook will not be as severe as previously expected, sales volumes highlight that turnover has decreased 60% over the past year. That said, to assess the impact of the COVID-19, the Australian Bureau of Statistics revealed the strongest rise in retail spending to date. Panic buying may possibly be the sole driver of this increase, which represents the considerable extent of cushioning being implemented by the Government.

Ultimately, the eventual reduction of income and employment will have a negative impact on consumer spending in the near term. The Australian Labour Force survey indicated the decline in market conditions, with unemployment increasing by 1% to 6.2%, a 594,000 reduction in jobs. While these statistics are alarming, the result was less severe than the labour conditions around the world. The Government recently announced that JobKeeper payments are being made to support millions of workers across 860,000 businesses.

Australia's gross domestic product (GDP) fell 0.3% in Q1 of 2020. While this is the first quarterly reduction in GDP since 2011, the Government announced that the Q2 results are expected to far exceed Q1. COVID-19 has clearly played a significant role in this result; however, weak performance in private sector demand over the past year has also contributed. RBA Governor Lowe displayed a sense of cautious optimism by noting "it is possible that the depth of the downturn will be less than earlier expected" and that "some restrictions have been eased earlier than previously thought likely".

All I ask is the chance to prove that money can't make me happy.

Spike Milligan

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Superannuation Pension Payments

As part of the Government's commitment to Australians during the COVID-19 crisis, it recently announced changes to the minimum pension payments for retirees.

The minimum pension drawdown rates have been halved for the 2019/20 and 2020/21 financial years. This action is in response to dramatic movements in global share markets, which have seen many people's superannuation balances fall.

How does this benefit me?

This change to minimum pension payments is welcome news for retirees with account-based pensions, market-linked pensions and transition to retirement pensions. It will offer flexibility for retirees, who will not now be forced to sell their shares, property or other assets at a time when their value is reduced simply to fund their income stream. Instead, if they have sufficient ongoing cash flow to meet day-to-day living expenses, retirees will be able to ride out the current volatility and avoid capitalising any losses by keeping more of their money invested. When the share market recovers, they will also be well positioned to take advantage of any opportunities that brings.

New minimum pension drawdown rates are as follows:

Age of beneficiary	Temporary percentage factor (2019/20 and 2020/21)	Normal percentage factor (2013/14 to 2018/19)
Under 65	2%	4%
65 to 74	2.5%	5%
75 to 79	3%	6%
80 to 84	3.5%	7%
85 to 89	4.5%	9%
90 to 94	5.5%	11%
95 or more	7%	14%

Source: SIS Act

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What is an account-based pension?

An account-based pension offers retirees regular, flexible and tax-effective income from their superannuation account. You might also see it referred to as an allocated pension. Members of a Self-Managed Super Fund can also have an account-based pension, provided the payment is allocated to a separate account for each member of the fund. You can access an account-based pension once you reach your 'preservation age' (between 55 and 60 based on when you were born) with a few simple choices such as the amount and frequency of your pension payments[1]. The pension income is not guaranteed for life, and will continue for as long as your accumulated superannuation money does.

Why is there a minimum pension payment?

The Government sets minimum pension payment rules for just one simple reason – to satisfy the sole purpose test. The sole purpose test requires that all activities of super funds must be for the sole purpose of providing retirement benefits to their members[2]. It prevents super funds and their members from taking advantage of the attractive tax concessions and using superannuation as a way to transfer wealth to the next generation.

The rules

Pension amount - The minimum pension drawdown rates are calculated as an annual percentage of your account balance. This percentage amount increases with age and is based on assumptions around what is considered a sensible amount to withdraw annually while maintaining an account balance that is enough for you to draw an income throughout retirement[2].

Each year, the minimum amount you will receive is recalculated based on your age and account balance as at 1 July. If you open a new pension account part way through a financial year, the minimum pension drawdown rate is pro-rated and calculated based on the number of days left until the end of the financial year.

Pension frequency - You can choose whether you want to receive pension payments monthly, quarterly, half yearly or annually – whichever suits your individual circumstances. However, it is a condition of all account-based pensions that you must receive at least one pension payment annually between 1 July and 30 June each financial year.

How can I adjust my minimum pension payment?

We have updated all our systems to take account of the new reduced pension minimums. Therefore, if you are worried that your superannuation balance has been impacted by recent share market volatility and you would like to change your minimum pension drawdown amount to take advantage of the temporary reduction in rates, we recommend you speak to your RDL financial adviser. They can work with you to ensure your investments are structured in the best way to help you achieve your longer-term retirement goals while still providing you with adequate income for daily essentials.

1 Moneysmart Moneysmart.gov.au https://moneysmart.gov.au/retirement-income/account-based-pensions
2 SuperGuide https://www.superguide.com.au/smsfs/what-is-the-sole-purpose-test-and-how-does-it-work

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Accessing Super in Retirement

When the time is right and if you decide to move your super account from the accumulation to pension phase, it is important to know some key facts before accessing your super.

Do I have to fill out any forms? Do I have to notify my super fund?

Once you stop working, your superannuation benefits will be generally accessible to you, subject to meeting certain conditions. Your super fund will need to be notified, and they will have a range of forms that can facilitate the next steps. You may want to consider seeking advice from a qualified professional when thinking about accessing super, as they will be able to assess your personal situation and provide appropriate financial advice to you.

Do I have to transfer my super to a pension account?

When a person retires after reaching their preservation age, they can request that their superannuation monies be moved to an account-based pension structure, also known as moving from accumulation phase, to drawdown (or pension) phase. Transferring superannuation from accumulation phase to pension phase is not compulsory. However, there may be some tax advantages to transferring your super from an accumulation account to an account-based pension. The maximum amount that can be transferred to an account-based pension account is currently $1.6 million across all your pension accounts.

Does the tax rate on my super change?

Investment earnings on your super in accumulation phase are generally taxed at 15%. If and when your super monies are converted to an account-based pension account or a transition to retirement pension account in the retirement phase, the tax rate on investment earnings reduces to zero. Note that depending on your age at the time you are drawing down a pension, you may still incur tax on the actual pension payments (if under age 60). Once you turn 60, all drawdowns are tax free in your hands.

Are there rules and restrictions in accessing super?

Once you have reached your preservation age and have ceased all paid employment, there are no restrictions on the maximum amount that can be withdrawn from a super or pension account. There is a minimum drawdown requirement for monies held within a pension account, which start at 4% of your account balance at commencement and each 1 July thereafter, if aged under 65. As you get older, the minimum percentage increases gradually. A pension is a zero tax structure but you are required to withdraw a proportion of your accumulated savings, to be able to continue to enjoy the concessional tax treatment it receives.

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Is retirement a good time to change my investment strategy?

This should be part of the broader discussion with your advice professional, but generally speaking, when people move from 'accumulating' capital for their retirement to 'drawing' on their capital, this usually coincides with a "re-setting" of a person's asset allocation, as part of their overall investment strategy. Typically, moving to 'retirement' sees a reduction in the proportion of growth assets such as shares and property within a person's super portfolio, and an increase in defensive assets such as cash and fixed interest. The reason is because you are now selling assets to fund pension drawdowns and as a result, the investment timeframe for a portion of these accumulated monies is in the short to medium term, thus the importance of allocating funds to suitable assets.

What happens if I retire and start accessing super and then change my mind and go back to work?

Whilst a declaration of genuine intent to cease all gainful employment after reaching your preservation age will potentially make accumulated super monies available, this does not mean you are ever prevented from returning to work. Changing one's mind (for whatever reason) and returning to work will not reverse the above process, although it does potentially mean that new contributions to super are preserved until you satisfy (or re-satisfy) a new 'condition of release'.

In summary, it is recommended that professional advice be sought from a suitably qualified adviser, so that your superannuation savings are within the appropriate structure and have the right investment mix to help you through your retirement years.

Never test the depth of the river with both of your feet.

Warren Buffet

Disclaimer

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