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The Monthly Update

tax news | views | clues

Temporary COVID Disaster Payment now available

The Federal Government has announced a temporary COVID Disaster Payment to assist workers who live or work in a Commonwealth declared hotspot, who are unable to attend work and earn an income as a result of state-imposed health restrictions that last for longer than one week.

The payment, available for Australian citizens, permanent residents and eligible working visa holders, is up to \$500 per week for recipients who lose 20 hours or more of work, and \$325 per week those who lose under 20 hours of work.

Access to the payment is available through Services Australia from 8 June 2021.

Private health insurance rebates frozen

Is your private health insurance getting more expensive every year? Part of the reason could be that the government has once again introduced legislation to freeze the related income thresholds, which were originally meant to be indexed with inflation on 1 April each year.

While the government likes to blame the funds for hikes adding to the cost of living, the reality is that the income thresholds for the private health insurance incentive have also not been indexed to keep pace with inflation since the 2014–2015 income year, and the rebate percentage is staying the same this year as for the 2019–2020 income year.

Most people with private health insurance take the private health insurance incentive in the form of reduced premiums on their cover, although it can also be taken as a tax offset.

For individuals and families with private health insurance, the rebate adjustment factor remaining the same as in the 2019–2020 income year will translate into a real-life cut in the rebated amount.

For example, private health insurance for basic (Bronze) hospital cover plus extras for two adults and two young children ranges from \$300 to \$600 per month. At an average figure of \$450 per month, the annual cost of the insurance would equate to roughly \$5,400. Assuming the adults are under 65 and earning less than \$180,000 as a family, the total rebate on the yearly premium would be \$1,354.

If the family applies the rebate to reduce the premiums for their cover, instead of paying \$450 per month they would pay \$337 per month. However, because indexation is now frozen until 1 July 2023, if private health insurance prices increase next year in line with previous average increases, the same family earning the same amount of money will end up paying more for their private health insurance, because the rebate percentage will stay the same.

The average 2021 price increase for health insurance premiums was 2.74%, the lowest increase since 2001. However, most large insurers increased their prices more, with the maximum increase by a fund listed as 5.47%. According to some figures, health insurance premiums have increased by 57% in the last decade, while the consumer price index (CPI, or inflation) has only grown by 20%.

Extending from our example, if the average price of \$450 per month increases by 5% for 2022, the family will pay \$22 extra per month before the rebate is applied. The total annual premium would be \$5,670 and the total rebate on the yearly premium would be \$1,420.

Again, if the family applies the rebate to reduce their premiums, they will end up paying \$354 per month in 2022, which equates to \$17 a month extra for the same policy with the same benefits, while they are earning substantially the same amount due to stagnant wages growth.

TIP: In a time when household budgets are coming under increasing strain, it's good to know about changes on the horizon. If you'd like to know more specifically about how this freeze could affect you, contact us today.

Cryptocurrency trading is subject to tax: new ATO data-matching program

Over 600,000 Australian taxpayers have invested in crypto-assets in recent years. The ATO has recently issued a reminder that although many people may believe that gains made through cryptocurrency trading are tax-free, or only taxable when the holdings are cashed back into “real” Australian dollars, this is not the case – capital gains tax (CGT) does apply to crypto-asset gains or losses.

While it may appear that cryptocurrencies operate in an anonymous digital world, the ATO does closely track where these assets interact with the “real” financial world through data from banks, financial institutions and cryptocurrency online exchanges, following the money back to the taxpayer.

This year the ATO will write to around 100,000 people with cryptocurrency assets explaining their tax obligations and urging them to review their previously lodged returns. It also expects to prompt 300,000 taxpayers to report their cryptocurrency capital gains or losses as they lodge their 2021 tax returns.

Alongside these communications, the ATO is beginning a new data-matching program focused on crypto-asset transactions. It will acquire account identification and transaction data from cryptocurrency designated service providers for the 2021 financial year through to the 2023 financial year inclusively. The ATO estimates that the records relating to approximately 400,000 to 600,000 individuals will be obtained each financial year.

ATO compliance: economic stimulus measures

Businesses that have accessed government economic stimulus measures need to take extra care this tax time. The ATO has announced that it will increase its scrutiny, conducting compliance activity on various economic stimulus measures introduced to help businesses recover from the effects of COVID-19. These stimulus measures include loss carry-back, temporary full expensing and accelerated depreciation.

While the ATO will continue to support businesses, most of whom are doing the right thing, it is looking at behaviour or development of schemes designed to deliberately exploit various stimulus measures. All taxpayers who've used the schemes should review their claims to ensure they are eligible, and that the amounts claimed are correct.

The loss carry-back measure allows eligible corporate entities to claim a refundable tax offset in their 2020–2021 and 2021–2022 company tax returns. In essence, companies get to “carry back” losses to earlier years in which there were income tax liabilities, which may result in a cash refund or a reduced tax liability.

The temporary full expensing measure allows immediately deducting the business portion of the cost of eligible new depreciating assets or improvements. Eligible businesses also have access to the accelerated depreciation measure for the 2019–2020 and 2020–2021 income years, in which the cost of new depreciating assets can be deducted at an accelerated rate.

The ATO will review claims as part of its tax time compliance activities as well as actively identifying tax schemes and arrangements seeking to exploit those schemes. The ATO will actively pursue concerning or fraudulent behaviours, including imposing financial penalties, prosecution and imprisonment for the most serious of cases.

TIP: If your business used the various stimulus measures, we can help you confirm your eligibility and the amount of deduction claimed to avoid potentially costly compliance activity from the ATO down the line.

Personal use assets and collectables in SMSFs

Would you like to hold a wine collection, artworks, or a classic car in your self managed superannuation fund (SMSF)? Well, you can if you follow some strict rules.

Firstly, the investment in collectibles or personal use assets must be for genuine retirement purposes and not to provide any present day benefit to either the members of the SMSF or related parties. Secondly, the assets cannot be used by members or related parties in any capacity. Thirdly, the asset must be insured in the fund's name within seven days of acquisition. All of these requirements, plus other rules, need to be met to avoid falling afoul of super rules.

This means that whatever collectable or personal use asset your SMSF purchases, it can't be used by members or related parties in any capacity. Consider a classic car: if it is owned by the SMSF as an investment, it cannot be driven by a member or any related party for any reason. This holds true even if the only reason for driving the car is to maintain it or to perform restoration work.

The rules also mean that any collectable or personal use asset owned by your SMSF can't be stored at the private residence of any member or related party. However, the asset can be stored – not displayed – in non-private-residence premises owned by a related party. For example, an artwork can't be displayed in the business premises of a related party where it would be visible to clients and employees, but it could be stored in a cupboard. It could also be leased to unrelated parties on arm's length terms.

The ability to insure must also be considered where your SMSF is investing in collectables or personal use assets. The items must be insured within seven days, under either separate policies or one collective policy. The owner and beneficiary of the policy must be the SMSF itself. If the SMSF has already made the investment but cannot to obtain insurance, the ATO must be notified.

Important: Clients should not act solely on the basis of the material contained in The Monthly Update. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Monthly Update is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.