

Client Information Bulletin



November 2022

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1. What's new?

COVID-related grants

Payments made before 1 July 2022 to businesses affected by the COVID-19 pandemic under various State and Territory programs are not taxable. At the end of August, the Government added a number of Victorian and ACT programs to the scheme. This means that payments under these additional programs are non-assessable non-exempt income (tax-free). The Victorian programs are:

- Business Costs Assistance Program Four – Construction;
- Licenced Hospitality Venue Fund 2021 – Top Up Payments;
- Business Costs Assistance Program Round Two – Top Up;
- Business Costs Assistance Program Round Three;
- Business Costs Assistance Program Round Four;
- Business Costs Assistance Program Round Five;
- Impacted Public Events Support Program Round Two;
- Live Performance Support Program (Presenters) Round Two;
- Live Performance Support Program (Suppliers) Round Two;
- Commercial Landlord Hardship Fund 3.

The additional ACT program is ACT HOMEFRONT 3.



2. From the ATO

Director ID – time is running out

Time is running out for directors of companies in Australia to apply for their director identification number (director ID), with the 30 November deadline less than a month away.

A director ID is required for the director or alternate director of:

- a company, registered Australian body, or registered foreign company under the *Corporations Act 2001*;
- an Aboriginal and Torres Strait Islander corporation registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006 (CATSI Act)*.

To check if a director ID is required, you can search *ABN Lookup* with the ABN or business name. If an ASIC Registration — ACN or ARBN or ARSN or ARFN — is showing against the record, the director of the company will need to apply for a director ID.

Directors under the CATSI Act have a different timeframe in which to apply.

All CATSI Act directors can apply for a director ID now and must apply by 30 November 2023. New directors must apply for their director ID prior to appointment from 1 November 2022.

To apply

The fastest way to apply for a director ID is online, using the myGovID app to log in to the Australian Business Registry Services (ABRS) [website](#). It's free to apply and directors must apply themselves to verify their identity. A myGovID with at least a Standard identity strength is required.

In addition to your myGovID, you will need:

- a tax file number (TFN);
- the residential address as held by the ATO; and
- information from 2 documents to verify your identity.

Documents that can be used include:

- bank account details;
- an ATO notice of assessment;
- APRA fund account details;
- a dividend statement;
- a Centrelink payment summary; and
- a PAYG payment summary (this is different from an income statement or PAYG instalment activity statement).

Business income and expenses

If you are running a business, most income received by the business is assessable for income tax purposes. The total gross amount is referred to as 'assessable income'.

You need to report assessable income in your business' tax return. It includes:

- cash income and income from online transactions;
- commissions and investment earnings;
- recovered bad debts for which your business previously claimed a tax deduction;
- most government payments;
- capital gains and losses;
- increases in the value of trading stock;
- stock taken for personal use; and
- payments from an insurance claim related to your business.

Make sure to also check what income you can exclude – for example, some COVID-19 government support payments are not assessable if you meet the eligibility criteria.

Remember you can reduce your business's taxable income by claiming business tax deductions, as long as:

- the expense directly relates to earning your business' assessable income;

- you claim only the business-use portion if the expense is for a mix of business and private use; and
- you have records to substantiate your claims.

Expenses may include:

- motor vehicle and travel expenses;
- items related to protecting staff from COVID-19;
- employee superannuation contributions; and
- payments you make to workers (including their wages) as long as you've complied with the Pay as you go (**PAYG**) withholding and reporting obligations for each payment.

Tip! Talk to your Blaze Acumen tax adviser about your business's tax affairs.



3. Using a motor vehicle for business?

Here are 4 things to keep in mind when claiming motor vehicle expenses — such as fuel, oil, servicing and registration — for your business.

If you operate your business as a sole trader or partnership (where at least one partner is an individual), the method you must use to calculate your deduction depends on the type of vehicle. For cars, you must use either the cents per kilometre or logbook method. For all other vehicles, you must use the actual costs method, where you claim the actual costs of expenses you incurred based on receipts.

If you use the logbook or actual costs method, remember you can only claim the business-use portion of your motor vehicle expenses.

If you operate your business through a company or trust, you must use the actual costs method to work out the deductions you are entitled to, regardless of the type of motor vehicle you use.

If you use the logbook or actual costs method, you can claim depreciation or decline in value only for the business-use portion of the motor vehicle. The maximum you can claim as a deduction for the depreciation of your car is \$64,741 for the 2022–23 income year or the cost of the vehicle (whichever is less). You may be eligible to claim depreciation under the temporary full expensing rules.

Tip! Talk to your Blaze Acumen tax adviser about the best way to calculate the deductions and the record-keeping requirements.

How's your record keeping?

The ATO has reminded businesses about the importance of keeping correct records. For one thing, good record-keeping makes things easier at tax time.

When it comes to record-keeping, there are 5 rules. You need to:

- keep all records related to starting, running, changing, and selling or closing your business that are relevant to your tax and superannuation affairs;
- store records safely to prevent damage and protect information from being changed (you must not change relevant information in records);
- keep most records for 5 years (for example, you need to keep records of losses for up to 5 years after you've fully claimed the loss);
- be able to show the ATO your records if they ask for them; and
- ensure your records are in English or easily converted to English.

Tip! Talk to your Blaze Acumen tax adviser about what records to keep and how to keep them.

Using business stock for private purposes?

If you are a sole trader or a partner in a partnership and take goods from your business for your private use, make sure you accurately record this in your stock on hand.

Accessing your trading stock for private use is fine from a tax perspective, but you need to account for the stock correctly:

- each time you use it (as you would if you sold it); and
- at the end of each income year.

If you do not adjust the actual cost of goods sold to reflect the goods you used for private consumption, you could be incorrectly claiming expenses you're not entitled to.

A good plan is to set up regular reconciliation processes to help you keep track of each time you take stock for private use. Keep a record which shows:

- the date;
- a description of what was taken;
- the reason stock was taken; and

- the cost or market value of the item (excluding GST).

At the end of the income year, any goods taken for your own use should not be accounted for as stock on hand.

Certain businesses can use the amounts that the ATO will accept as estimates of the value of goods taken from trading stock for private use. The ATO recently published the accepted estimates for 2022–23. They are reproduced below.

Type of business	Amount (excluding GST) for adult/child over 16	Amount (excluding GST) for child aged 4-16
Bakery	\$1,360	\$680
Butcher	\$990	\$495
Restaurant/café (licensed)	\$4,830	\$1,950
Restaurant/café (unlicensed)	\$3,900	\$1,950
Caterer	\$4,120	\$2,060
Delicatessen	\$3,900	\$1,950
Fruiterer/greengrocer	\$1,010	\$505
Takeaway food shop	\$4,030	\$2,015
Mixed business (includes milk bar, general store and convenience store)	\$4,870	\$2,435

Entertaining your employees?

With summer and Christmas just around the corner, you may be planning a party or similar event (e.g. a bowls day) for your employees.

The ATO has reminded employers to make sure they consider the fringe benefits tax (**FBT**) implications of the party or other event.

These will depend on:

- the amount you spend on each employee;
- when and where the event is held;
- the value and type of gifts you provide; and
- who attends – is it just employees, or are partners, clients or suppliers also invited?

Don't forget to keep all records relating to the entertainment-related fringe benefits you provide, including how you worked out the taxable value of benefits.

Tip! Talk to your Blaze Acumen tax adviser to discuss any FBT implications.



4. Superannuation for holiday work

From 1 July 2022, you need to pay superannuation guarantee (SG) for employees at the rate of 10.5%, regardless of how much you pay them. This is because the former \$450-per-month income threshold for SG eligibility has been removed.

Take Jane for instance. She is a 22-year-old employee working a short-term job at a restaurant over the holiday season. She works 23 hours in a month, earning \$430 before tax.

In the past, holiday employees such as Jane would not be paid superannuation as they earned below the \$450 income threshold. Now, Jane will be eligible for superannuation paid on her ordinary time earnings at the rate of 10.5%.

This change doesn't affect other eligibility requirements for SG. Workers who are aged under 18 years still need to work more than 30 hours in a week to be eligible.

For example, Anish is a 17-year-old employee working a job at a hotel over the holiday season. Anish works 32 hours in a week at the hotel and earns \$800 before tax. He also works 5 hours at his local café, earning \$150.

As Anish worked more than 30 hours in one week at the hotel, his employer will need to pay superannuation on the \$800 he earned.

As Anish works less than 30 hours a week at the café, he is not entitled to superannuation from this employer. Likewise, Anish is not entitled to superannuation for any weeks he works less than 30 hours at the hotel.

Check your payroll and accounting systems are up to date so you are correctly calculating your employees' SG payments.

Get new workers onboard faster

Did you know your employees can complete a tax file number (**TFN**) declaration through ATO online services? This is an easy way for them to provide you and the ATO with the required information. If your new employee has a myGov account linked to the ATO, once they are logged in they can:

- access ATO online services;
- go to the 'Employment' menu;
- select 'New employment' and complete the form.

Your employees will need your ABN to complete the form. When they submit it, their TFN declaration details are sent straight to the ATO, so you don't have to. The form will then enable them to print and give you the summary of their tax details. You'll need the summary so you can input the data into your system.

If your payroll software can link to the online commencement forms, it will automatically receive your new employees' information from the ATO, saving you time spent entering the information manually. Check with your software provider to find out if they offer this service.

The New employment form can also be used to collect a range of information. Employees can use it to authorise variations to the amount you withhold from their pay for tax or the Medicare levy, or to advise you of their choice of superannuation fund. They can also use it to update their tax circumstances with you, for example, if:

- their residency status has changed;
- they no longer have a government study and training loan; or
- they are claiming the tax-free threshold from another employer.

You can continue to use your current processes when preferred, including providing a paper TFN declaration where the employee can't create a myGov account or doesn't have access to the internet.



5. Stapled superannuation funds for employers

A stapled superannuation fund is an existing superannuation account linked, or 'stapled', to an individual employee so it follows them as they change jobs.

Stapled funds avoid the need to open a new superannuation account every time an employee starts a new job, thus reducing account fees. Note that if choice of superannuation fund obligations are not met, additional penalties may apply.

You need to request stapled superannuation fund details for your business' new employees when:

- you need to make superannuation guarantee (SG) payments for that employee;
- they are eligible to choose a superannuation fund but don't, including contractors for whom you pay mainly for their labour but who are employees for SG purposes.

You may need to request stapled superannuation fund details for some employees who aren't eligible to choose their own superannuation fund. This includes employees who are:

- temporary residents; or
- covered by an enterprise agreement or workplace determination made before 1 January 2021.

For employees who started working for your business on or after 1 November 2021 and have not provided a valid choice of superannuation fund, you should make contributions into:

- the employee's stapled superannuation fund; or
- the employer nominated account (if the ATO advises you that they do not have a stapled superannuation fund).

If an employee later nominates their choice of superannuation fund, you have 2 months to start paying contributions into that fund.

Steps to requesting stapled superannuation fund details

Before you can request stapled superannuation fund details, you need to have offered all eligible employees a choice of superannuation fund.

You or your authorised representatives can request stapled superannuation fund details using ATO online services. Check and update the access levels of your authorised representatives in ATO online services. (Your tax adviser may also be able to make a request on your behalf.)

You must also establish an employment relationship. You can request your employee's stapled superannuation fund details after you submit a TFN declaration or Single Touch Payroll (**STP**) pay event, which identifies that you have an employment relationship or link to your employee.

Choice shortfall penalty

You may have to pay the choice shortfall penalty, which is the additional SG charge (SGC), if you contributed to your default fund without making a stapled superannuation fund request.

To avoid the choice shortfall penalty, make sure you:

- request the stapled superannuation fund details for your employee as soon as possible if they have not provided you with their choice of fund;
- pay the employee's full SG contribution to the stapled superannuation fund we return to you in the request; and
- pay the contribution to the stapled superannuation fund by the quarterly due date.

Tip! Your Blaze Acumen tax adviser may be able to help your business meet its superannuation obligations.



6. Key tax dates

Date	Obligation
21 Nov 2022	October monthly BAS due
25 Nov 2022	Lodge SG statement and pay September quarterly SGC (if required)
1 Dec 2022	Full self-assessment companies — pay 2021–22 income tax
21 Dec 2022	Lodge and pay November monthly BAS
21 Jan 2023*	Lodge and pay December monthly BAS
28 Jan 2023*	Superannuation guarantee payment due date for December quarter
31 Jan 2023	Closely held trust — lodge December quarterly TFN report
21 Feb 2023	Lodge and pay January monthly BAS
28 Feb 2023	<ul style="list-style-type: none"> • Lodge and pay December quarterly BAS • Pay second quarterly PAYG instalment for 2022–23 • Lodge annual GST return (if no tax return due) • Lodge SG statement and pay December quarterly SGC (if required) • Lodge and pay SMSF annual return for new SMSFs (unless otherwise advised)

Note! Talk to your Blaze Acumen tax agent to confirm the correct due dates for your own tax obligations. For example, you may have more time to lodge and pay if impacted by COVID-19 or a natural disaster.

DISCLAIMER

The content of this newsletter does not constitute specific advice. Readers are encouraged to consult their Blaze Acumen tax adviser for advice on specific matters.