

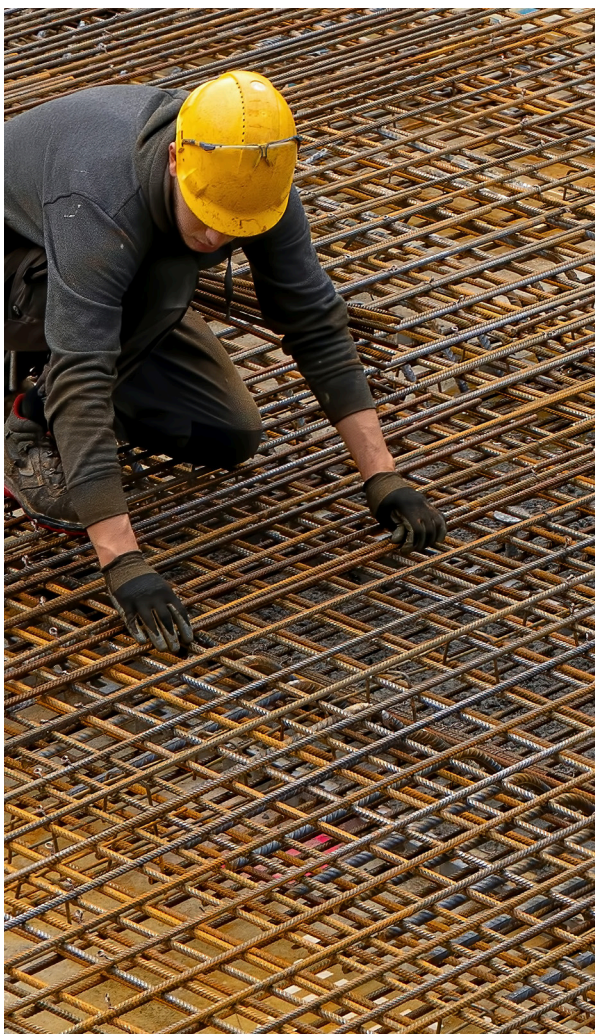


LANTERI  
PARTNERS GROUP

WEALTH MANAGEMENT

*Here for the future...*

August 2020



## The JobKeeper scheme gets an update, plus an extension

The JobKeeper payment, which was originally due to end after 27 September, will now continue to be available to eligible businesses (including the self-employed) until 28 March 2021. However there are some changes to consider.

### About this newsletter

We are very proud to announce our monthly Newsletter!! It is intended for you, our clients, as well as future clients of Lanteri Partners Group. You will be informed on the latest news and announcements regarding changes to legislation mainly within financial planning and wealth management industry. Each issue will have significant contributors including our Managing Director, Michael Lanteri and other key individuals who are specialists in their areas of expertise. We hope you find this newsletter of great value. Thank you.

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The JobKeeper payment rate of \$1,500 per fortnight for eligible employees and business participants will be reduced to \$1,200 from 28 September 2020 and to \$1,000 per fortnight from 4 January 2021. Also, from 28 September, lower payment rates will apply for employees and business participants who worked less than 20 hours per week prior to 1 March 2020 (see below) — first dropping to \$750, and then \$650 from 4 January 2021.

Businesses claiming JobKeeper will be required to demonstrate that they have suffered an ongoing significant decline in turnover using *actual* GST turnover (rather than projected GST turnover) from 28 September.

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## The JobKeeper scheme gets an update, plus an extension *cont*

Claimants will need to reassess their eligibility with reference to their actual GST turnover in the June and September quarters 2020, and will need to demonstrate that they have met the relevant decline in turnover test in both of those quarters to be eligible for the JobKeeper payment from 28 September 2020 to 3 January 2021.

A further re-assessment of turnover will be required from 4 January 2021. Businesses will need to demonstrate that they have met the relevant decline in turnover test with reference to their actual GST turnover in each of the June, September and December quarters 2020 to remain eligible for JobKeeper from 4 January 2021 to 28 March 2021.

To be eligible for JobKeeper under the extension, the decline in turnover tests remain at previous JobKeeper eligibility levels:

- 50% for those with an aggregated turnover of more than \$1 billion;
- 30% for those with an aggregated turnover of \$1 billion or less; or
- 15% for Australian Charities and Not for profits Commission-registered charities (excluding schools and universities).

If a business does not meet the additional turnover tests for the extension period, this does not affect their eligibility prior to 28 September. Also new recipients can continue to apply for the JobKeeper payment, provided they meet the existing eligibility requirements and the additional turnover tests during the extension period. Other eligibility rules for businesses and their employees remain unchanged.

### ➡ THE JOBKEEPER PAYMENT RATE

From 28 September 2020 to 3 January 2021, the JobKeeper payment rates will be:

- \$1,200 per fortnight for all eligible employees who, in the four weeks of pay periods before 1 March 2020, were working in the business for 20 hours or more a week on average, and for eligible business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and

- \$750 per fortnight for other eligible employees and business participants.

From 4 January 2021 to 28 March 2021, the JobKeeper rates will be:

- \$1,000 per fortnight for all eligible employees who, in the four weeks of pay periods before 1 March 2020, were working in the business for 20 hours or more a week on average and for business participants who were actively engaged in the business for 20 hours or more per week on average in the month of February 2020; and
- \$650 per fortnight for other eligible employees and business participants.

**Very important to note is that because the September turnover must be based on actual GST supplies, the accounting for relevant businesses will need to be kept up-to-date.**

### ➡ ADDITIONAL TURNOVER TESTS

In order to be eligible for the first JobKeeper extension period of 28 September 2020 to 3 January 2021, businesses will need to demonstrate that their actual GST turnover has significantly fallen in both the June quarter 2020 (April, May and June) and the September quarter 2020 (July, August, September) relative to comparable periods (generally the corresponding quarters in 2019).

Very important to note is that because the September turnover must be based on actual GST supplies, the accounting for relevant businesses will need to be kept up-to-date.

In order to be eligible for the second JobKeeper extension period of 4 January 2021 to 28 March 2021, businesses will again need to demonstrate that their actual GST turnover has significantly fallen in each of the June, September and December 2020 quarters relative to comparable periods (generally the corresponding quarters in 2019).

The ATO will have discretion to set alternative tests that would establish eligibility in specific circumstances where it is not appropriate to compare actual turnover in a quarter in 2020 with actual turnover in a quarter in 2019. We may be able to provide assistance should your circumstances require such application.

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## The JobKeeper scheme gets an update, plus an extension *cont*

Businesses will generally be able to assess eligibility based on details reported in your BAS, with the ATO stating when it announced the JobKeeper extension that alternative arrangements will be put in place for businesses not required to lodge a BAS (for example, if a member of a GST group).

As the deadline to lodge a BAS for the September quarter or month is in late October, and the December quarter (or month) BAS deadline is in late January for monthly lodgers or late February for quarterly lodgers, businesses will need to assess their eligibility for JobKeeper in advance of the BAS deadline in order to meet the wage condition (which requires them to pay their eligible employees in advance of receiving the JobKeeper payment in arrears from the ATO). Again, the ATO will have discretion to extend the time to pay employees in order to meet the wage condition, so that businesses have time to first confirm their eligibility for JobKeeper.

And just to be clear, in case there is any doubt, if a business fails a decline in turnover test in respect of the June, September and December 2020 quarters, this does not mean that a business that has been claiming the JobKeeper subsidy needs to repay any of the money that has been paid to it.

### ➔ EMPLOYEES

Only one employer can claim the JobKeeper payment in respect of an employee. The self-employed will be eligible to receive JobKeeper where they meet the relevant turnover test, and are not a permanent employee of another employer.

But the eligibility rules for employees remain unchanged. This means you are eligible if you:

- are currently employed by an eligible employer (including if you were stood down or re-hired)
- were for the eligible employer (or another entity in their wholly-owned group) either:
  - a full-time, part-time or fixed-term employee at 1 March 2020; or
  - a long-term casual employee (employed on a regular and systematic basis for at least 12 months) as at 1 March 2020 and not a permanent employee of any other employer.
- were aged 18 years or older at 1 March 2020 (if you were 16 or 17 you can also qualify for fortnights before 11 May 2020, and continue to qualify after that if you are independent or not undertaking full time study).
- were either:
  - an Australian “resident” for social security purposes; or
  - an Australian “resident” for taxation purposes.
- were not in receipt of any of these payments during the JobKeeper fortnight:
  - government parental leave or Dad and partner pay; or
  - a payment in accordance with Australian worker compensation law for an individual’s total incapacity for work.

Employees will continue to receive the JobKeeper payment through their employer during the period of the extension if they and their employer are eligible and their employer is claiming JobKeeper — but remember the rates are to change as set out above.

Note that as there has been no change to the Australian residency requirements for eligible employees, international students and temporary visa holders will continue to not be eligible for the JobKeeper subsidy.

However in better news, currently a person whose wages are being subsidised by JobKeeper payments cannot also obtain JobSeeker support. This is because the JobKeeper subsidy is taken into account when assessing the eligibility of an individual for JobSeeker payments. Under the new arrangements it may be possible for such individuals to also claim JobSeeker payments. An individual can earn just over \$1,200 per fortnight and still receive the full coronavirus supplement of \$250 under the new arrangements. ■

This information has been prepared without taking into account your objectives, financial situation or needs. Because of this, you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs.



# Has your super fund got you covered for insurance?

**With COVID-19,  
maybe not.**



From 1 July 2019, the government adopted new rules that aim to prevent the unnecessary erosion of people's retirement savings through inappropriate insurance arrangements.

As part of the rules, super providers, excluding SMSFs and small APRA funds, are unable to provide insurance by default when an account has been inactive for more than 16 months. Generally, a member holds an inactive super account if the account has not received any contributions or rollovers for 16 months or longer.

From 1 April 2020, additional rules were introduced to stop super providers automatically providing insurance cover on an opt-out basis to members where:

- a new member is aged less than 25 years old
- the member holds an account with a balance below \$6,000

However, the dangerous occupation exemption recognises that certain occupations carry a higher degree of risk, such as (but not limited to) emergency service workers.

This exemption allows trustees to continue to provide insurance on an opt-out basis where:

- the member is employed in a dangerous occupation
- it is reasonable to expect that the contributions paid into the product will be for the member's employment in that occupation, and
- the fund trustee has notified APRA in writing that the exception will apply to the product and the election is in force.

Prior to those changes coming into effect, most super funds (other than SMSFs and small APRA funds) automatically provided life and TPD insurance cover to members upon joining the fund. Some of those funds also automatically offered income protection insurance as default insurance and required a member to opt out of it if the member didn't deem it necessary for them.

Under the new rules, if a member with an inactive low balance super account (below \$6,000) in a large APRA regulated super fund wants to keep their insurance,

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## Has your super fund got you covered for insurance? *cont*

they will need to tell their super fund (that is, ask for the insurance to be provided) or contribute to that super account. If no action is taken, their insurance will be cancelled automatically, and the member's super account will be transferred to the ATO to protect their account from fee erosion.

Also, insurance cover will not be provided by a large APRA regulated super fund for a new member aged under 25 unless they:

- write to their fund to request insurance through their super
- work in a dangerous job and the trustee determines that the dangerous occupation exemption applies. The new member can, however, choose to cancel this cover if they do not want it.

### COVID-19 impact on insurance cover

As part of its economic response package to the COVID-19 pandemic, the government implemented a new temporary measure to allow individuals affected by COVID-19 to access up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21 (further extending the deadline to apply for this last option – see below).

Given the recent changes to insurance arrangements for members of large APRA-regulated funds (as outlined earlier), the new early release measures could see some of those members losing their income protection and life and total permanent disability insurance cover if they fully withdraw or end up with a super balance that drops below \$6,000.

Many people are also at risk of having their insurance automatically cancelled if their large APRA-regulated fund account(s) is considered inactive because they are unable to contribute for a continuous period of 16 months as a result of financial stress due to the coronavirus pandemic.

While the latest changes to insurance arrangements do not apply to SMSFs, withdrawing super early may also affect SMSF members who have a secondary APRA-regulated fund that provides them with insurance cover. They are, therefore, also at risk of losing their insurance cover in those funds if their APRA-regulated fund account(s) has a balance below \$6,000 or is considered inactive due to no contributions for a continuous period of 16 months.

It is, unfortunately, expected that the new law changes would likely leave hundreds of thousands of people facing the COVID-19 crisis without life, disability or income protection at a time they may need insurance more than ever.

Given insurance cover inside superannuation is a secure way of protecting fund members against the financial strain that serious illness, injury or death can cause, it is critical for people who intend accessing their super early to consider the impact on their insurance and be aware of the implications before withdrawing. ■

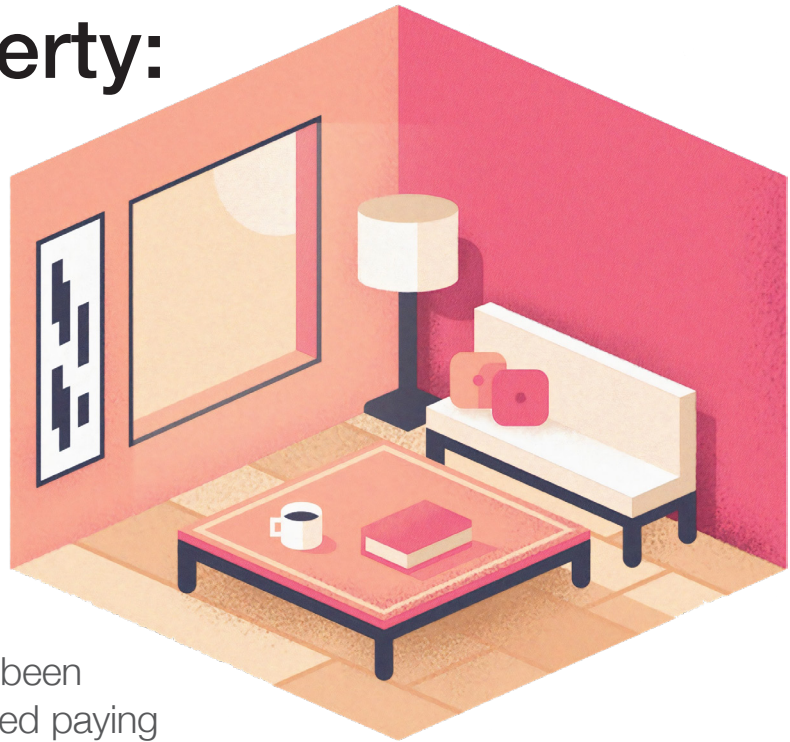


## Early release of super extended

For individuals affected by the adverse economic effects of COVID-19, the government has temporarily allowed eligible individuals to access their superannuation early and tax-free. The government is extending the application period for the measure from 24 September 2020 to 31 December 2020 to increase the scope for individuals who may still be financially impacted by COVID-19 to access early release in the coming months. Eligible Australian and New Zealand citizens and permanent residents were able to access up to \$10,000 of their superannuation before 1 July 2020. They can access a further \$10,000 until 31 December 2020.

# Rental property:

## Tax approach adjusts for COVID-19



The COVID-19 pandemic has placed property owners, and tenants in many cases, in unfamiliar territory. Many tenants have been paying reduced rent or ceased paying because their income has been adversely affected.

While rental income may be reduced, owners will continue to incur normal expenses on their rental property and will still be able to claim these expenses in their tax return as long as the reduced rent charged is determined at arms' length, having regard to the current market conditions. This applies whether the reduction in rent was initiated by the tenants or the owner.

Also remember that many banks have moved to defer loan repayments for stressed mortgagees. In these circumstances, rental property owners are still able to claim interest being charged on the loan as a deduction, even if the bank defers the repayments.

### Short-term rentals

In circumstances where COVID-19 has adversely affected demand, including the cancellation of existing bookings for a short-term rental property, deductions are still available provided the property was still genuinely available for rent.

If owners decide to use the property for private purposes, or offer the property to family or friends for free, offered it to others in need or stopped renting the property out, the ability to claim deductions is lost for those respective periods.

To determine the proportion of expenses that can be claimed for short-term rental properties affected by COVID-19, or indeed bushfires and other natural disasters, a reasonable approach is to apportion expenses based on the previous year's usage pattern. That is unless an owner can show it was genuinely available for rent for the relevant period. See also below for some common mistakes with short-term rentals.

### Deductions for vacant land no longer available

For the 2020 year, expenses for holding vacant land are no longer deductible for individuals intending to build a rental property on that land where the dwelling is not yet built. This also applies to land for which you may have been claiming expenses in previous years.

However, this does not apply to land that is used in a business, or if there has been an exceptional circumstance like a fire or flood leading to the land being vacant.

This can be a difficult area in regard to taxation, so further advice may be an option to consider.

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## General common rental property mis-steps



### Travel to rental properties

Residential property owners can't claim any deductions for costs incurred in travelling to residential rental property unless they are in the rare situation of being in the business of letting rental properties.



### Short-term rentals

The ATO reports that it often finds taxpayers with short term rental properties claiming for 100% of their expenses when they actually use the property for their own use or provide it to family and friends for free or at a reduced rate. Properties need to be rented out or be genuinely available for full rent to claim a deduction.

Factors such as reserving the property or leaving it vacant over peak periods, not charging the market rate and the types of terms and conditions of the bookings are all taken into consideration when deciding if active and genuine efforts are being made to ensure a property is available for rent.

If a property is not genuinely available for rent, the ATO expects that deductions will be limited to the days when it is. If you are allowing friends or family to stay in the property at a reduced price, you need to limit your deductions to the amount of rent received for these periods.

Don't forget to include all your rental income, especially from sharing economy platforms. The ATO matches data received from these providers to information in tax returns, and has in the past followed up on discrepancies uncovered. And one last point is to not to forget any possible CGT implications on sale. ■



### Incorrectly claiming loan interest

Taxpayers that take out a loan to purchase a rental property can claim interest (or a portion of the interest) as a tax deduction. However directing some of the borrowed funds to personal use, such as paying for living expenses or going on a holiday, is not deductible use. The ATO uses data and analytics to look closely and ensure that deductions are only claimed on the portion of the loan that relates directly to the rental property.



### Capital works and repairs

Repairs or maintenance to restore something that's broken, damaged or deteriorating in a property you already rent out are deductible immediately. Improvements or renovations are categorised as capital works and are deductible over a number of years.

Initial repairs for damage that existed when the property was purchased can't be claimed as an immediate deduction but may be claimed over a number of years as a capital works deduction.

## Investment property ownership: ATO data

Around **71.16%** of individual taxpayers who own an investment property limit their holding to **one** property.

Around **18.96%** of property investors hold **2** properties.

### LARGER HOLDINGS

**3** properties: **5.87%**  
**4** properties: **2.14%**  
**5** properties: **0.89%**  
**6** properties: **0.94%**

# Claiming a deduction for transport expenses when carrying bulky equipment

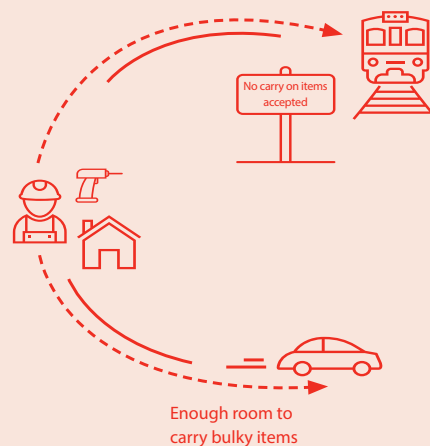
As a general rule, expenses relating to travel between home and work (and vice versa) are non-deductible. A number of exceptions to this principle exist, including for situations that require bulky equipment be transported to and from work. In order for transport expenses to be deductible under this “bulky equipment” exception, it is usually necessary that all of the following conditions are satisfied. The taxpayer will also need to substantiate the expenses by keeping appropriate records of the travel, such as the time, dates, distance, etc.

## Criteria to be satisfied

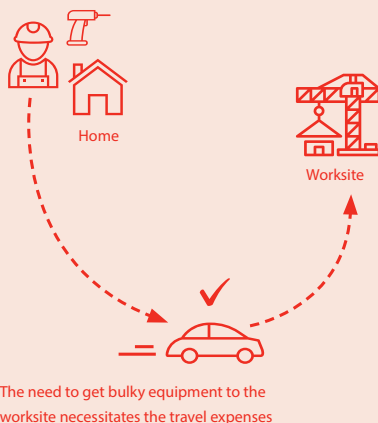
1. You have bulky equipment that is necessary for you to earn your income (eg saws, electrical cords, toolbox and the like for carpenters).



2. The equipment's bulkiness is such that there is no other practicable way of taking it to where you earn your income other than by your private motor vehicle.



3. The travel expenses are necessitated by the need to carry the bulky equipment to the place where income is earned (rather than your choice to travel by motor vehicle).



4. No secure area is provided for keeping the bulky tools safe at the place of work. If you choose to carry the bulky equipment with you despite safe keeping at the worksite being available, no deduction will be allowable.

