



HALL CHADWICK 

Tax Time Monthly

APRIL ISSUE 2021



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1. INCOME TAX

1. It's that time again... FBT 2021

2021 Fringe Benefits Tax ("FBT") year is 1 April 2020 to 31 March 2021. Employer entities that have provided fringe benefits to employees or their associates during the 2021 FBT year are required to lodge an FBT return.

The statutory due date for lodgement and payment of the FBT return is 21 May 2021. However, lodgement of the FBT return is not due until 25 June 2021 and the due date for payment is 28 May 2021, if the return is lodged electronically by your tax agent. If your FBT liability for the FBT year ended 31 March 2020 was more than \$3,000, an FBT instalment may still be required on your March 2021 BAS, which is due on 28 April 2021.

The ATO has published the 31 March 2021 FBT rates and thresholds (see [here](#)) for 31 March 2021:

FBT Rate	47%
Gross up rate Type 1	2.0802
Gross up rate Type 2	1.8868
Reportable fringe benefit threshold	\$2,000, minimum grossed-up value \$3,773
Car fringe benefit statutory rate	20%, regardless of distance travelled
Motor vehicle (other than a car) cents per km rate	0-2500cc: 56 cents Over 2500cc: 67 cents Motor cycles: 17 cents
Car parking threshold	\$9.15
Statutory interest rate	4.8%

The ATO has compiled an informative document titled [COVID-19 and fringe benefits tax](#) which provides information on relevant FBT concessions for FBT as a result of COVID-19. Included is the following information:

- » If you have provided employees with items to allow them to work from home, these will generally be exempt from FBT due to the otherwise deductible rule or minor benefits exemption.

Car benefits

- » If your employees have been garaging work cars at their homes due to the impacts of COVID-19, the ATO takes the view that no FBT liability arises for this period, **if the employee was only permitted to drive the car briefly for maintenance purposes and the operating cost method is used.**
- » Your employees' driving patterns may have changed due to the effects of COVID-19. If you use the operating cost method, you can still rely on an existing valid logbook.

However, you need to make a reasonable estimate of business use, taking into account the logbook, odometers records, and changes in the employee's pattern of business use including use during a period of COVID-19 restrictions.

Car parking benefits

- » If on a particular day, your office was closed due to COVID-19 and the work car park is also closed, it will not form part of the availability periods used to calculate the taxable value of a car space under the statutory method.
- » If all of the commercial car parking stations within a 1km radius of your business premises are closed on a particular day due to COVID-19, there will be no car parking benefits provided.
- » If, on 1 April 2020, the lowest fee charged by all the commercial parking stations within 1km radius of your business premises for all day parking was less than \$9.15, you will not have provided a car parking benefit (e.g. if car parking was discounted to <\$9.15 due to COVID-19). The reduced fee must not be substantially greater or less than the average of the lowest fee charged by a commercial parking station operator in the four weeks prior to 1 April 2020 or the four weeks after 1 April 2020.

Expense payment fringe benefit

- » No FBT applies where an employer provide emergency accommodation, food, transport or other assistance to an employee if the benefit is emergency assistance to provide immediate relief, and the employee is, or at risk of being, adversely affected by COVID-19. This would include expenses incurred in relocating an employee such as flights home to Australia, food and temporary accommodation if an employee cannot travel due to restrictions, benefits allowing an employee to self-isolate, and transport expense including car hire.
- » No FBT applies if it is considered emergency assistance. This includes providing temporary accommodation and meals to fly-in-fly-out or drive-in-drive-out employees who are unable to return to their normal residence to COVID-19 domestic and international travel restrictions.

Entertainment fringe benefit

- » No FBT applies where it relates to non-refundable costs for cancelled events your employees were due to attend.

Please contact Hall Chadwick if you require assistance with preparation and lodgment of FBT returns for 31 March 2021 and/or advice with COVID-19 impact.

2. Tax treatment of government grants and payments during COVID-19

The ATO published its views regarding income tax and GST consequences of various Federal, State and Local government stimulus measures due to COVID-19 [here](#).

JobKeeper

- » **Employer:** Is assessable as ordinary income of the business that is eligible to receive the payments and should be declared as income in tax returns.
- » **Employee:** Is part of wages earned and should be reported as such in income tax returns.
- » **Sole trader:** Include as business income at the label "Assessable government industry payments"

Pandemic leave disaster payment: Paid by Australian Government to support individuals in some states who can't earn an income due to requirement to self-isolate, or caring for someone with COVID-19. Payments are assessable income and needs to be reported as such in the income tax return.

Childcare Transition Payment: Made instead of JobKeeper to early childhood education and care sector for the period 13 July 2020 to 27 September 2020, to support providers to return to the Child Care Subsidy. Payments are assessable income and needs to be reported as such in the income tax return.

Payments under COVID-19 Creative Economy Support Package: on 25 June 2020, a range of new grants and loan programs were announced for different parts of the arts sector. Grants are assessable as income, and loans are not. Interest expense on loans are tax deductible.

Payments under Consumer Travel Support program: Where eligible, a provider will receive a one-off grant during FY2021 up to \$100,000, to assist travel agents and tour arrangement service providers to continue to trade and provide refunds to Australian consumers who were unable to travel due to COVID-19. This grant is assessable income.

State Government voucher subsidy scheme: Eligible purchases subsidized by the State Government voucher subsidy is assessable income, and also subject to GST.

Currently, only some grants from the Victorian Government to support small businesses are non-assessable, non-exempt income, where eligibility criteria are met:

- Alpine Business Fund
- Business Support Fund
- Licensed Hospitality Venue Fund
- Melbourne City Recovery Fund
- Outdoor Eating and Entertainment Package
- Sole Trader Support Fund.

Other than where there is a specific exemption (as above), all other government payments to business are assessable income.

The list of eligible grants programs may be extended to specific grants in other states and territories, depending on the Government's discretion. If you have received grants, please discuss this with your Hall Chadwick advisor as it may be declared exempt later.

3. No more JobKeeper, but are you eligible for JobMaker?

As we all know, JobKeeper ended 28 March 2021. There is however, the JobMaker Hiring Credit scheme that could apply if you are an employer who has had a net increase in headcount (since 30 September 2020) and payroll (since the 3 months ended 6 October 2020). The rules are (as usual) complex and you should refer to [this](#) Hall Chadwick publication for further details and contact with your Hall Chadwick advisor if assistance is required.

Registration for this scheme opened 6 December 2020 and can be done in either the Business Portal or ATO online services. We can also assist you with this under the Tax Agent Portal. **The first claim period for the period from 7 October 2020 to 6 January 2021 opens 1 February 2021 and finishes 30 April 2021. You cannot make a claim after this time.** The JobMaker periods and the claim periods are outlined below.

Dates for JobMaker periods and claim periods		
Period	JobMaker Period	Claim Period
1	7 October 2020 - 6 January 2021	1 February 2021 - 30 April 2021
2	7 January 2021 - 6 April 2021	1 May 2021 - 31 July 2021
3	7 April 2021 - 6 July 2021	1 August 2021 - 31 October 2021
4	7 July 2021 - 6 October 2021	1 November 2021 - 31 January 2022
5	7 October 2021 - 6 January 2022	1 February 2022 - 30 April 2022
6	7 January 2022 - 6 April 2022	1 May 2022 - 31 July 2022
7	7 April 2022 - 6 July 2022	1 August 2022 - 31 October 2022
8	7 July 2022 - 6 October 2022	1 November 2022 - 31 January 2023

4. Do you need to review your service trust arrangements in the light of PCG 2021/D2?

In June 2015, the ATO issued guidelines regarding the allocation of profits within professional firms, which were withdrawn suddenly in December 2017 - due to the ATO alleging that the guidelines were being applied to arrangements that went beyond their scope.

This has finally been replaced with [Practical Compliance Guideline PCG 2021/D2: Allocation of professional firm profits - ATO compliance approach](#).

For completeness we note that the mark-ups for [Service entity arrangements](#) remains unmodified since 24 April 2019.

Clients who are professional firms, including (but not limited to) those in the accounting, architectural, engineering, financial services, legal and medical professions, that redirects their share of (a portion of) the income from a professional practice to an associated entity or entities - such as a trust, company or family member - where that has the effect of reducing an individual professional practitioner's (IPP) tax liability (typically because the associated entity or entities pay tax at lower marginal rates than if the income were taxed in the IPP's hands), should review this ruling for impact. The PCG applies if all of the following conditions are met:

- » an IPP provides professional services to clients of the firm, or is actively involved in the management of the firm and, in either case, the IPP and/or associated entities have a legal or beneficial interest in the firm;
- » the income of the firm is not PSI;
- » the firm operates by way of a legally effective structure, for example, partnership, trust or company;
- » an IPP is an equity holder, that is, an IPP holds full rights to participate in the voting, management and income of the firm;
- » the arrangement is commercially driven, that is, it satisfies Gateway 1, and
- » the firm and IPP do not demonstrate any high-risk features, that is, it satisfies Gateway 2.

Gateway 1 considers whether the implemented arrangement and the way in which it operates are commercially driven. This means that there must be a genuine commercial basis for the arrangement and also for the way in which profits are distributed.

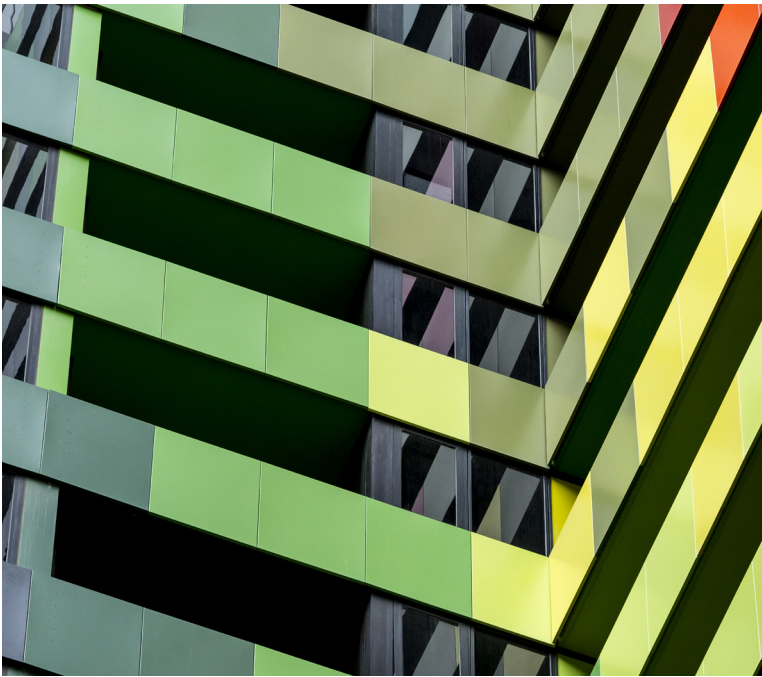
High risk features set out Gateway 2 includes any arrangements covered by a Taxpayer alert, financing arrangements relating to non-arm's length transactions, exploitation of the difference between accounting standards

and tax law, arrangements where a partner assigns a portion of a partnership interest that are materially different in principle from Everett and Galland, and multiple classes of shares and units held by non-equity holders.

The PCG provide guidelines and puts practices into various risks zones, and sets out that if the firm falls into:

- » Green zone: The ATO will only apply compliance resource to review allocation of profit in exception circumstances
- » Amber: The ATO are likely to conduct further analysis of the arrangement
- » Red: The ATO are likely to conduct a review as a matter of priority.

The risk zones are calculated based on the following risk assessment factors, and the % scores of each factor, as follows:



Risk assessment factor		Score				
	1	2	3	4	5	6
(1) Proportion of profit entitlement from the whole group returned in the hands of the IPP	>90%	>75% to ≤90%	>60% to ≤75%	>50% to ≤60%	>25% to ≤50%	≤25%
(2) Total effective tax rate for income received from the firm by the IPP and associated entites ^[6]	>40%	>35% to ≤40%	>30% to ≤35%	>25% to ≤30%	>20% to ≤25%	≤20%
(3) Remuneration returned in the hands of the IPP as a percentage of the commercial benchmark for the services provided to the firm	>200%	>150% to ≤200%	>100% to ≤150%	>90% to ≤100%	>70% to ≤90%	≤70%

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This is then aggregated and risk zones determined, as follows:

Risk zone	Risk level	Aggregate score against first two factors	Aggregate of all three factors*
Green	Low risk	≤7	≤10
Amber	Moderate risk	8	11 & 12
Red	High risk	≥9	≥13

Please contact your Hall Chadwick advisor for a review of your service entity arrangements and determine your risk zone.

2. SUPERANNUATION

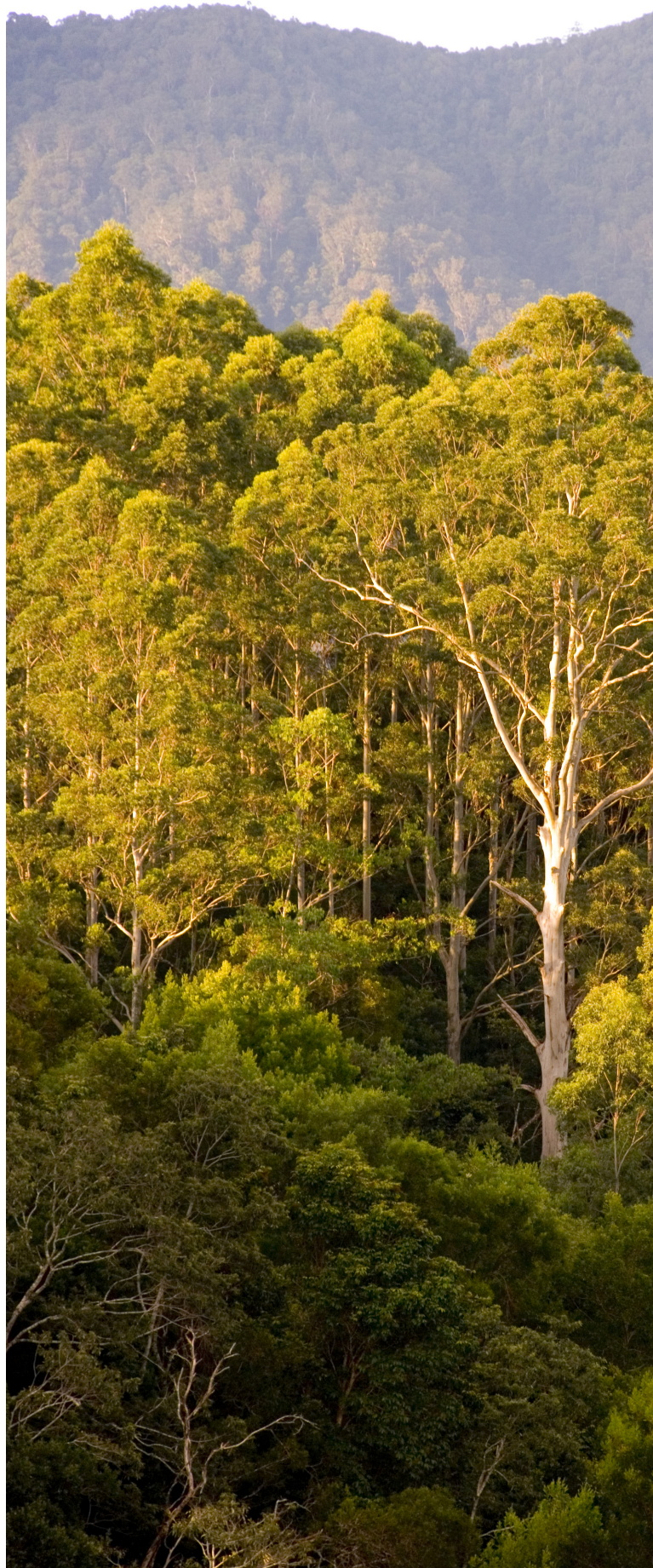
1. Increase in Rates and Thresholds from 1 July 2021

Concessional and non-concessional contributions caps are set to increase from 1 July 2021. Concessional contributions caps will increase from their current levels of \$25,000 per annum to \$27,500 per annum.

As a result, the non-concessional contributions cap, which is set at four times the concessional contributions cap amount, will also increase from 1 July 2021 to \$110,000 per annum. The bring forward non-concessional contributions cap, provided no part of the bring forward has been already used, will increase to \$330,000 for the 2022 financial year.

Individuals seeking to access the bring forward non-concessional contribution amount for the current 2021 financial year should consider if it is more appropriate to make the normal \$100,000 concessional contribution for FY2021 and access the higher bring forward amount of \$330,000 from 1 July 2021.

The general transfer balance cap that will apply to individuals from 1 July 2021 will increase from \$1.6M to \$1.7M. This cap limit is used to determine the maximum amount that can be used to commence an account based pension and also determines the limit where an individual is ineligible to make further non-concessional contributions into superannuation.



Find out how we can help, contact your **local office**.

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