

Practice Update

APRIL 2022

2022-2023 Budget Measures that are now law

Low and Middle Income Tax Offset

A measure that will no doubt be beneficial for individual taxpayers is the increase in the Low and Middle Income Tax Offset ('LMITO') for the 2022 income year by \$420. The LMITO is a tax offset which reduces an individual taxpayer's tax liability.

This means that the maximum amount of the LMITO for the 2022 income year will now be \$1,500 (up from \$1,080 for the 2021 income year).

However, the LMITO will not be extended to the 2023 income year.

Reduction in Fuel Excise

Fuel excise on petrol and diesel will be reduced by 50% (a reduction of 22.1 cents per litre) from 30 March 2022 to 28 September 2022.

This temporary reduction in the fuel excise is to soften the impact of increased petrol and diesel prices that have been triggered by Russia's invasion of Ukraine.

Tax deductions for work-related COVID-19 tests

Last month's edition of Practice Update discussed a proposal for COVID-19 tests, to be both:

- tax-deductible; and
- exempt from FBT;

broadly where they are purchased for work-related purposes.

This proposed legislative change is now law with effect from 1 July 2021.

Reminder of March 2022 Quarter Superannuation Guarantee ('SG')

Employers are reminded that their SG obligation for the 1 January 2022 to 31 March 2022 quarter is due by 28 April 2022.

An advance warning is also provided to employers that the compulsory 10% SG rate is going to increase to 10.5% from the period 1 July 2022 to 30 June 2023.

So now might be a good time to ensure your payroll systems and SG calculators are updated by the start of the next income year.

Cents per kilometre deduction for car expenses – 2023 income year

The ATO has proposed for individual taxpayers that use the cents per kilometre method when calculating tax deductions for their work-related car expenses, that the rate per kilometre for the income year starting 1 July 2022 (the 2023 income year) will be 75 cents per kilometre.

This is an increase from the 72 cents rate applicable for both the 2021 and 2022 income years.

A reminder that the ability to claim a deduction under the cents per kilometre method is subject to a cap of 5,000 business kilometres annually.

Individual taxpayers will claim deductions for work-related car expenses (where eligible) under one of two alternative methods: the log-book method or the cents per kilometre method.

Many taxpayers find that they are not able to use the log-book method as they have not maintained a valid 12-week logbook in the last five years.

JobMaker Year 2: adjusting baseline headcount

If you have been claiming the JobMaker Hiring Credit, please be aware that the ATO will now calculate an adjusted baseline headcount for the claim.

The ATO will amend the prefill in the claim form based on information provided in earlier claims.

The ATO does this each period by calculating the greatest headcount increase that occurred in a period that began 12 months or more before the current claim period.

The ATO then adds that increase to the baseline headcount.

This adjustment will happen because eligible businesses can only claim the JobMaker Hiring Credit for up to a year for each additional job they create.

The baseline headcount is an integrity measure designed to ensure that where an employer is claiming a JobMaker Hiring Credit for a new employee aged between 16-35, that they have also increased their overall number of employees.

This is designed to prevent employers terminating the services of current employees and then replacing them with employees aged 16-35.

Broadly speaking, to qualify for the JobMaker Hiring Credit an employer needs to have not only employed an eligible individual but to have also increased their overall employee headcount.

Re-contribution of COVID-19 early release super amounts

Individuals can now re-contribute amounts they withdrew under the COVID-19 early release of super program without the re-contribution counting towards their non-concessional contributions cap.

These contributions can be made between 1 July 2021 and 30 June 2030.

Individuals can make COVID-19 re-contribution amounts to any fund of their choice where the funds' rules allow.

COVID-19 re-contribution amounts are reported as personal contributions. If the fund member is found to be ineligible to make the re-contribution (for example, the fund member may be required to satisfy the work test and does not do so at the time of a re-contribution) it may result in that member exceeding their non-concessional contributions cap.

It should be noted that once an amount originally withdrawn under the COVID-19 early release of super program has been re-contributed into a superannuation fund, it will not be able to be released from that fund until the fund member satisfies a condition of release – such as obtaining the age of 65 or having met their preservation age and they have 'retired'.

Penalties for overdue TPAR

The *Taxable payments annual report* ('TPAR') must be lodged by 28 August each year. Taxpayers who operate in certain industries and that make payments to contractors may need to report these payments in a TPAR.

Affected industries where taxpayers may have an obligation to lodge a TPAR are:

- Cleaning services;
- Building and construction services;
- Road freight;
- Courier services;
- Information technology services;
- Security, investigation or surveillance services.

From 23 March 2022, the ATO will apply failure to lodge penalties to those who:

- did not lodge their 2021 or prior year TPAR;
- have already been sent three non-lodgment letters about their overdue TPAR;
- do not respond to an ATO follow-up phone call about their overdue TPAR.

In the coming weeks the ATO may be phoning tax agents (or taxpayers directly) about their overdue TPAR, to follow up the non-lodgment letters that have been sent.

Editor: Should you have any questions (or require any assistance) about any of the issues raised in this update, please feel free to contact our office.