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CLIENT INFORMATION BULLETIN

Welcome to this Autumn edition of the Kelly and Associates Newsletter.

You will have already received our Coronavirus (COVID-19) update via email but we have included the information again just in case you missed it. Although the Coronavirus is obviously a significant concern, we still need to cover some recent legislative changes and other important developments in this newsletter.

In this edition we will examine the superannuation guarantee amnesty, the disclosure of business tax debts, Single Touch Payroll (STP) and closely held employees, as well as further STP developments. We will also address the continued targeting of lifestyle assets by the ATO and the latest tax scammer alert. We conclude the newsletter with the important dates and our staff and client news section.

We also remind you that for continued access to the ATO Business Portal and other online services, myGovID will replace AUSkey from 27th March 2020. We have included a guide to assist you with the process of establishing your myGovID and encourage you to register and activate before the March deadline.

Please also remember that our footy tipping competition is running again and begins TONIGHT! Entry is free, there is a prize for the winner and bragging rights for at least twelve months! Please get your tips in quickly!

Coronavirus (COVID-19) Assistance Package

The Prime Minister Scott Morrison recently announced a \$17.6 billion Coronavirus stimulus package for businesses and individuals. There are four elements to the stimulus package, of which all clients should be aware:

1. Low income earners to receive \$750 cash

A one-off payment of \$750 will be paid to all social security, veteran and other income support recipients and eligible concession card holders. This payment is tax-free and will not count as income for social security, household allowances and veteran payments. A full list of eligible recipients is provided via the following link:

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Assistance_for_households.pdf

The one-off payment will occur automatically from 31 March 2020 by Services Australia or the Department of Veterans' Affairs.

2. Cash flow assistance for businesses

Supportive measures introduced to assist Australian businesses to manage cash flow challenges and retain employees include:

- **Tax-free cash flow boost for employers.**

Small and medium-sized businesses with a turnover of less than \$50 million will receive up to \$25,000 to help cover the costs of employee wages and salaries equal to 50% of the PAYG withheld. The minimum payment is \$2,000 with a maximum of \$25,000 and will be available for businesses who lodge business activity statements for the March and June quarters.

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Coronavirus (COVID-19) Assistance Package (cont'd)

Eligible businesses that withhold tax on employee salary and wages will **automatically** receive the payment. This payment will be delivered by the ATO as a credit in the activity statement system from 28 April 2020 once businesses lodge their relevant activity statements. Eligible businesses that pay salary and wages but are not required to withhold tax will also receive the minimum payment of \$2,000. For additional information regarding the timing of these payments please use the following link:

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Assistance_for_businesses.pdf

- **Apprentice wage subsidy.**

Small businesses with fewer than 20 full-time workers will receive 50% of an apprentice or trainee's wage for up to nine months from 1 January 2020 to 30 September 2020. For each apprentice or trainee, the Government will provide up to a maximum of \$7,000 in wage assistance per quarter. Where a small business is unable to retain the apprentice or trainee, the subsidy will be available to a new employer to re-engage an eligible apprentice or trainee. It is proposed that employers will be able to register for the subsidy from early April 2020. Final claims for payment must be lodged by 31 December 2020.

3. Boosted instant asset write-off and accelerated depreciation

Businesses with an aggregated annual turnover of less than \$500 million are eligible for an expanded instant asset write-off for asset investments of up to \$150,000 (up from \$30,000). The threshold applies on a per asset basis, so businesses can immediately write-off multiple assets. The announcement applies to new or second-hand assets first used or installed ready for use from now until 30 June 2020. The instant asset write-off is due to revert to \$1,000 for small businesses (businesses with a turnover less than \$10 million) from 1 July 2020.

Businesses with turnover less than \$500 million will also be able to access a 15-month investment incentive by accelerating depreciation deductions. These eligible businesses will be able to deduct 50% of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost. Additional information regarding the criteria for an eligible asset can be found at:

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Support_for_business_investment.pdf

4. Assistance for severely affected regions

The Government has also announced a \$1 billion fund to support regions and communities most significantly affected by the Coronavirus outbreak. Those industries disproportionately affected will include such industries as tourism, agriculture and education.

The ATO will provide administrative relief for certain tax obligations (similar to relief provided following the bushfires) for taxpayers affected by the virus outbreak, on a case-by-case basis. Additional information for those regions severely affected by the outbreak can be found via the following link:

https://treasury.gov.au/sites/default/files/2020-03/Fact_sheet-Assistance_for_regions.pdf

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Coronavirus (COVID-19) Assistance Package (cont'd)

Additional Income Support

In addition to the stimulus package announced, people who are unable to attend work because they have been diagnosed with the Coronavirus or who are in isolation, may qualify for income support if they do not have any employer leave entitlements. Additional information can be found on the Australian Government Services Australia webpage at <https://www.servicessaustralia.gov.au/>. Our accountants are available to guide you through the process of accessing support should you need assistance.

Further Resources and Information

Please be aware of two links that will be particularly helpful for those clients who are employers and have questions in relation to employee entitlements and whether staff should or should not be in the workplace. We have provided a link below to both resources. In addition Fair Work is very helpful and they have a coronavirus hotline - **13 13 94**.

<https://www.fairwork.gov.au/about-us/news-and-media-releases/website-news/coronavirus-and-australian-workplace-laws#health-and-safety-information>

<https://www.health.gov.au/resources/collections/novel-coronavirus-2019-ncov-resources>

The Andrews Government has set up a hotline for businesses needing information on dealing with new measures to tackle coronavirus, as well as details on support services. The number is **13 22 15**.

Please feel free to contact our office if you would like to discuss any of the above information in more detail or if we can assist you further, either personally or professionally.

Superannuation Guarantee Amnesty Bill Passes Parliament

The superannuation guarantee amnesty bill has been passed by Parliament ensuring that employers will get six months to disclose historical non-compliance of superannuation payments. This one-off amnesty aims to encourage employers to self-correct historical superannuation guarantee non-compliance.

Employers should be aware that as a result of Single Touch Payroll (STP), the ATO now has an 'unprecedented level of visibility' of superannuation information. Any clients with a historical non-compliance of superannuation payments should make use of the amnesty to avoid severe penalties which would otherwise apply under voluntary disclosure (outside the amnesty period) or ATO detection.

All employers should be aware that late payment of the superannuation guarantee (i.e. payments failing to reach the employee's superannuation fund by the due date) and underpayments are reasons for superannuation shortfalls and penalties will apply.

Please consider your superannuation guarantee compliance very carefully and contact our office if you require assistance to work through the issues involved.

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Disclosure of Business Tax Debts - Declaration Made

Following the enactment of legislation in late 2019, the ATO can disclose certain business tax debt information to external credit reporting bureaus. This information will primarily be used when issuing external creditworthiness reports in relation to relevant businesses, effectively treating tax debts in a similar manner to other business debts.

More recently, the Government issued a Declaration to determine exactly what class of entities may be subject to such disclosures, including entities that:

- are registered in the Australian Business Register and are not a complying superannuation fund, a DGR, registered charity or government entity; and
- have one or more tax debts totalling at least **\$100,000** that are overdue for more than **90 days**, disregarding:
 - tax debts where the entity has an arrangement to pay the ATO by instalments (i.e., via a payment plan);
 - tax debts subject to an application for release on grounds of hardship; and/or
 - tax debts subject to dispute via an objection, AAT or Federal Court review that has not been finalised.

Additionally, the Declaration does not allow debt disclosure for taxpayers who have an active complaint concerning the disclosure of tax debt information that is, or could be, the subject of an Inspector-General of Taxation ('IGOT') investigation.

Importantly, if there is such a complaint, the ATO can only proceed with a disclosure of the debt where it is not aware of it after taking reasonable steps to confirm whether the IGOT has such a complaint.

Single Touch Payroll (STP) and Closely Held Employees

From 1 July 2020, small employers (19 or less employees) making wage payments to one or more 'closely held employees' will need to report these payments through STP.

'Closely held employees' are employees that are 'not at arm's length' and hence directly related to the entity from which they receive payments. This may include:

- Family members of a family business
- Directors or shareholders of a company
- Beneficiaries of a trust

Employers will have the option to report the information about their closely held employees on a quarterly basis. All other employees of an entity (known as arm's length employees) must be reported each payday.

In recognising that closely held payees are not always paid on a regular basis or a regular amount, reasonable estimates of the amounts paid will need to be made on a quarterly basis.

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Single Touch Payroll (STP) and Closely Held Employees (cont'd)

According to the ATO, these amounts can be calculated using one of the following methods:

1. Actual withdrawals (not including payments of dividends or payments which reduce the liabilities owed by the business entity to the closely held employee)
2. 25% of the total salary or director fees from the previous year (or the year of the last lodged tax return of the closely held employee)
3. Vary the previous years' amount of the total salary or directors fees up or down by 15% to allow for changes in current trading conditions.

Importantly, the ATO recognises the additional time required for small employers to declare their income. If small employers lodge quarterly using the methods outlined above, they will be permitted to finalise information reported for the year and make any necessary adjustments up to the due date of their income tax return.

If small employers report quarterly from 1 July 2020, the report for closely held employees should be submitted at the same time as the activity statement is lodged.

Should you have any concerns with these changes or you require any specific advice relating to your circumstances please contact our office.

Further STP Developments

In an indication of the far-reaching changes that Single Touch Payroll ('STP') will generate, Treasury has recently finished consulting on draft legislation that expands the data that may be collected through STP by the ATO (as announced in the 2019/20 Budget).

The legislation, if enacted, will broaden the amounts that employers can voluntarily report under the STP rules, to include employer withholding of child support deductions from salary or wages and child support garnishee amounts from salary or wages that are paid to the Child Support Registrar.

Amendments will also be made to ensure that if employers choose to report under STP to the Commissioner of Taxation, they do not also have to report the amounts to the Child Support Registrar.

STP and employer clients

The ATO has advised that over 580,000 small employers have made the transition to STP reporting, and they are encouraging tax practitioners to help any clients who have yet to engage with STP reporting make the transition now.

Please note the ATO will also send reminders to small employers who are not yet reporting through STP.

Should you receive any such correspondence and/or simply want to discuss this with us, please call our office.

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Lifestyle Assets Continue to be an ATO Audit Target

The ATO has revealed it will request a further five years' worth of policy information from over 30 insurance companies about taxpayers who own marine vessels, thoroughbred horses, fine art, high-value motor vehicles and aircraft.

The ATO expects to receive information about assets owned by around 350,000 taxpayers from 2016 to 2020 as part of its data-matching program.

This information (provided by insurers) is intended to be used by the ATO as part of its compliance profiling activities.

For example, ATO Deputy Commissioner Deborah Jenkins said:

"If a taxpayer is reporting a taxable income of \$70,000 to us but we know they own a three million dollar yacht then this is likely to raise some red flags."

She clarified that the data will not be used to initiate automated compliance activity.

"Taxpayers selected for compliance activities are identified through other methodologies. The data is made available to our compliance teams to support their risk profiling of the selected taxpayers. Existence of an insurance policy may or may not prompt the compliance officer to pursue a particular line of enquiry."

Aside from helping identify taxpayers who may be understating their income, the data from insurers may be used by the ATO to identify taxpayers who have made capital gains on the disposal of certain assets but who have not declared this to the ATO.

It will also be used by the ATO to identify incorrect claims for GST input tax credits where taxpayers are incorrectly claiming GST credits as if the (private) item was a business asset.

Additionally, SMSFs the ATO suspects may be acquiring lifestyle assets purely for the personal enjoyment of the fund's trustee or beneficiaries are also likely to be looked at by the ATO.

Insurers are required to provide the ATO with policy information where the value of assets is equal to or exceeds the following thresholds:

- Marine vessels \$100,000
- Motor vehicles \$65,000
- Thoroughbred horses \$65,000
- Fine art \$100,000 per item
- Aircraft \$150,000

If you feel that you may be targeted by this latest ATO data collection activity and are concerned about the implications, please feel free to contact our office to discuss your individual circumstances.

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SMS Scam Targeting Natural Disaster Victims

The ATO is warning the community about a new SMS scam which promises an 8% bonus on 2020 tax returns to victims of recent natural disasters.

The scam text message says: *"Due to natural disasters, Australians are entitled to an 8% bonus on their tax return. Please begin the process by filling out the form below. Link: <https://my.gov.verifcation-digital.com>."*

ATO Assistant Commissioner Karen Foat said this is a classic case of fraudsters impersonating the ATO in an effort to collect personal information from people like names, addresses, emails, phone numbers and online banking login details.

This particular scam includes a link to a fake myGov website which looks genuine.

Over the past few years the ATO has seen an increasing number of reports of scammers contacting members of the public pretending to be from the ATO by SMS, email, and phone, and the scammers are becoming more and more sophisticated.

"Last year, over 15,000 people reported to us that they provided scammers with their personal identifying information", Ms Foat said.

"If you receive an SMS, call, or email and aren't sure if it's genuine, it's OK to not respond."

The ATO does send SMS and emails, and also makes phone calls to taxpayers, but note that the ATO does **not** project their phone number onto the recipient's caller ID — so people can be sure that, if there's a number on their caller ID, it's not the ATO calling.

Footy Tipping Reminder

Well the footy season is back for 2020 and so is the Kelly & Associates footy tipping competition!

We welcome back past tipsters and extend an invitation to all clients and their families to join the tipping fun.

The competition is free and there are great prizes to win!

To participate simply login or sign up before the season begins TONIGHT:
<http://www.footytips.com.au/comps/KellyAssociates>

Ambrose and staff are eager for a win in season 2020 and will be striving to finish at the top of the tipping ladder for the first time in competition history!

Could it be one of our clients who will take the top prize for the fourth year running?



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Lodgement Obligations

Date	Description
21st each mth 2019/20	Monthly IAS lodgement due — All lodgements
28 April 2020	Superannuation guarantee contributions to be paid
28 April 2020	Quarterly IAS/BAS lodgement due — paper
26 May 2020	Quarterly IAS/BAS lodgement due — electronically
15 May 2020	Final lodgement date of 18/19 individual tax returns

Staff & Client News

Our Newest Addition!

Congratulations to Alison and Dan on the safe arrival of beautiful baby Isabelle. Isabelle was in a hurry to meet her parents and surprised both Al and Dan in arriving three weeks early. We are a bit disappointed with the extremely placid and settled behaviour of Isabelle which has reduced the opportunity for much needed cuddles to settle and pacify her by other members of staff. Alison also receives the most diligent employee award for 2020 after answering a client's call and queries on the day she left hospital. Congratulations again to Al and Dan.



Welcome to David Linke

Please join us in welcoming David Linke to Kelly and Associates. David has over 10 years experience working for a Melbourne-based Chartered Accounting firm. He brings with him a wealth of expertise in superannuation, business services and taxation compliance and advice. David is a Cats supporter and enjoys being involved with the South Barwon Cricket Club. Welcome David to the Kelly and Associates family!



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Staff & Client News (cont'd)

Changes ahoj for Abigail Whyte-Downey!

Our long serving employee Abigail Whyte-Downey has been juggling the competing demands of study and work for some time. She is planning to immerse herself further in her studies and will be working with us in a reduced capacity. Abigail will be available on Tuesday, Thursday and alternating Fridays. We thank Abs for her service and terrific specialist advice over the years. Abigail has always provided us with stimulating ideas and conversations, and we wish her all the best with her studies and future endeavours.

The Last Piece

Our clients Mark and Wendy have a wonderful shop called The Last Piece in East Geelong. We can personally recommend their range of games, puzzles and toys. They also have a terrific range of educational resources. If parents are looking for additional activities to keep children occupied while at home please contact Mark and Wendy. They are happy to do online orders, take orders over the phone and will even take your purchases to your car so you don't have to enter the shop. Our kids really enjoy Finska, Top trumps, Rat-a-tat cat, Spot it and Slapzi to name a few!



*Wishing you a happy and safe Easter period from
Ambrose, Andrea and staff at Kelly & Associates!*

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