

# **JAS PARTNERS**

## **CHARTERED ACCOUNTANTS**

**BUSINESS ADVISERS & CONSULTANTS – TAXATION PROFESSIONALS – REGISTERED TAX AGENT**

# **Practice Update**

## **January/February 2022**

### **ATO support for businesses in difficult times**

The ATO has reminded taxpayers that it has a range of support available for small businesses experiencing difficult situations, such as natural disasters, mental health challenges or financial hardship.

Depending on the business taxpayer's circumstances, the ATO may be able to:

- give the business extra time to pay its tax;
- set up a payment plan tailored to its situation;
- re-issue tax returns, activity statements and notices of assessment;
- help the business reconstruct lost or damaged tax records;
- prioritise any refunds the business is owed; and
- remit penalties or interest charged during the time the business has been affected.

### **1.1 Government extends SME Recovery Loan Scheme to 30 June 2022**

The Government has recently extended the SME Recovery Loan Scheme by a further six months (to 30 June 2022) to support SMEs adversely economically affected by the Coronavirus Pandemic.

Under the Scheme, eligible businesses can obtain loans through participating bank and non-bank lenders with the backing of a Government loan guarantee.

Around 80,000 loans worth approximately \$7.3 billion have been written to date since the Scheme commenced in March 2020.

SMEs who are dealing with the economic impacts of COVID-19 with a turnover of less than \$250 million will be able to access loans of up to \$5 million over a term of up to 10 years.

Other key features of the Scheme include the following:

- Lenders can offer borrowers a repayment holiday of up to 24 months.
- Loans can be used for a broad range of business purposes, including to support investment.
- Loans may be used to refinance any pre-existing debt of an eligible borrower.
- Loans can be either unsecured or secured (excluding residential property).

Importantly, the Government's loan guarantee has been reduced to 50% (down from 80%) for loans available from 1 January 2022 until 30 June 2022.

## **COVID-19 vaccination incentives and rewards**

The ATO has reminded employers to consider their tax and super obligations when employees are provided with incentives or rewards for getting their COVID-19 vaccination.

When employees are provided a cash payment, including paid leave for employees to get their COVID-19 vaccination (or additional paid leave to recover from any vaccination side effects), employers should withhold PAYG withholding and make super contributions on the amount.

Furthermore, the payment must be reported to the ATO via Single Touch Payroll ('STP') as part of the employee's salary or wage.

On the other hand, employers must consider the FBT consequences of providing non-cash benefits as an incentive for their employees to get vaccinated.

Such benefits may include:

- Goods or services provided to the employee.
- Vouchers and gift cards.
- Prizes won by an employee in a competition (e.g., a raffle).

Note that certain FBT exemptions and reductions may apply in some circumstances.

For example, if an employer provides or pays for an employee's transport to get their COVID-19 vaccination, there is generally no FBT payable.

## **Higher PAYG withholding rates continue to apply to backpackers**

As we recently communicated, the High Court has held that the 'working holiday maker tax' (also known as the 'backpackers tax') did not apply to a taxpayer on a working holiday visa from the United Kingdom who was also an Australian tax resident.

This was due to the application of the Double Tax Agreement between Australia and the United Kingdom.

This tax treatment will only apply where the working holiday maker is both an Australian resident for tax purposes and from Chile, Finland, Japan, Norway, Turkey, the United Kingdom, Germany or Israel.

However, the ATO has recently told employers that the higher PAYG withholding rates continue to apply to working holiday maker employees.

This is regardless of the country they are from (unless the employer receives an PAYG variation notice from the ATO).

Broadly, the working holiday maker withholding rates apply as follows:

- If the employer is registered with the ATO as an employer of working holiday makers, they should withhold tax at the tax rate of 15% from the first dollar the working holiday maker employee earns up to \$45,000.  
Tax rates change for amounts above \$45,000.
- If the employer is not registered with the ATO as an employer of working holiday makers, they must withhold tax at 32.5% from every dollar the working holiday maker employee earns up to \$120,000.

The foreign resident withholding rates must be applied to income over \$120,000.

If a working holiday maker employee has had excessive amounts of PAYG withheld from their salary, they can lodge a tax return at the end of the income year to receive a tax refund (where eligible).

## **Single Touch Payroll exemption extended for WPN holders**

The ATO has extended the Single Touch Payroll ('STP') reporting exemption available to entities that have a withholding payer number ('WPN').

As a result of this extension, certain entities that have a WPN (but not an ABN) will not be required to report under STP for the 2021-22 and 2022-23 financial years.

This continues the exemption that has been provided to relevant entities since the commencement of the 2018-19 financial year.

## **Payment extension relating to JobKeeper objections**

The JobKeeper rules have been amended to ensure the ATO can make payments to certain taxpayers after 31 March 2022.

Where a taxpayer has objected to an ATO decision relating to JobKeeper, a payment can be made by the ATO after 31 March 2022 to give effect to the objection decision and decisions of the AAT or a court.

Importantly, this extended payment date will only apply where a valid objection was given to the ATO on or before 30 November 2021.

<p>Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.</p>
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