

client alert

tax news | views | clues

It's time to consider FBT

If your business has provided any benefits to your employees, you may be liable for fringe benefits tax (FBT). This includes benefits to current, prospective and former employees, as well as their associates. It's important to keep in mind that this applies no matter what structure your business has – sole trader, partnership, trustee, corporation, unincorporated association, etc. If a benefit was provided in respect of employment, then it may be a taxable fringe benefit.

Although the Australian income tax year runs from 1 July to 30 June, the FBT year is different, running from 1 April to 31 March the following year – so now is the time to consider your business's FBT obligations and organise your records for the year 1 April 2020 to 31 March 2021.

TIP: Business FBT returns and payments are generally due by 21 May if you lodge yourself, or by 25 June if we lodge electronically as your registered tax agent.

In total, there are 13 different types of taxable fringe benefits, each with their own specific valuation rules. The FBT tax rate of 47% may seem fearsome, but there are ways to reduce the amount of FBT your business may have to pay where a benefit has been provided.

One of the simplest ways to reduce the amount of your business's FBT liability is for your employees to make payments towards the cost of providing the fringe benefit. This is known as employee contribution, and certain conditions still apply.

Your business can also take advantage of various exemptions and concessions to reduce FBT liability, but you'll need to keep specific and careful records, including employee declarations and invoices and receipts. As a general rule, you should keep these documents for at least five years after the relevant FBT return is lodged.

ATO reminder: lodge your TPAR

The ATO is reminding owners of businesses that provide various services to lodge their taxable payments annual report (TPAR) for the 2019–2020 income year. It estimates that around 280,000 businesses were required to lodge a TPAR for the 2019–2020 financial year, but at the beginning of March around 60,000 businesses still had not complied with the lodgment requirements. The reports were originally due on 28 August 2020. To avoid possible penalties, these businesses are encouraged to lodge as soon as possible.

The ATO notes that many businesses that have engaged delivery services (including food delivery services) though a contractor/subcontractor may not know they have to lodge a report.

TIP: Your business doesn't need to provide the relevant services *exclusively* to be captured under the TPAR system – if you only provide the service for a part of the year, or even if it is only a small part of your business, you may be required to lodge a TPAR.

The TPAR was introduced to combat the "black economy" which is estimated to cost the Australian community around \$50 billion, or 3% of gross domestic product (GDP). It is designed to help the ATO identify contractors or subcontractors who either don't report or under-report their income (eg through hiding amounts received as "cash in hand").

The report is required for businesses that make payments to contractors/subcontractors and provide any of the following services:

- building and construction;
- cleaning services;
- courier services, including delivery of items or goods (letters, packages, food, etc) by vehicle or bicycle, or on foot;
- road freight services;
- IT services, either on site or remotely; and
- security, investigation or surveillance services.

For example, during the past year many eateries, grocery stores, pharmacies and other general retailers

pivoted to providing home delivery for their customers. As such, they may have needed to engage contractors or subcontractors to provide courier services. If the total income received for these deliveries or courier services amount to 10% or more of their total business income, they will be required to lodge a TPAR even though they may not have needed to do so previously.

If your business is required to lodge a TPAR, the details you'll need to report about each contractor should be easy to find and are generally contained on the invoice you receive from them. This includes details such as their ABN, name and address, and the gross amount paid for the financial year (including GST).

TIP: Think your business may need to lodge a TPAR ASAP? If you're not sure or just need some help with lodging the report, we have the expertise to help you.

COVID-19 stimulus and support measures winding back

A number of important COVID-19 related government stimulus and support measures are now coming to an end, and some others have begun phasing out, which will occur over a slightly longer period.

This means that businesses and individuals need to prepare for an environment where the government safety net is not as wide.

TIP: If you or your business need information on managing your financial arrangements as you face the winding down of these government supports, we're here to help – contact us today.

The following are, at the time of writing, among the measures that will cease at the end of March 2021:

- JobKeeper (ends 28 March);
- Coronavirus Supplement (ends 31 March);
- the temporary COVID-19 qualification rules for JobSeeker payment and youth allowance (end 31 March);
- HomeBuilder (ends 31 March); and
- some apprenticeship wage subsidies (end 31 March).

Life insurance in super: costs on the way up?

Having insurance through superannuation can be a tax-effective and cost-effective way of protecting yourself and your loved ones. Most funds offer three different types of insurance through super, each covering different contingencies: life insurance, total and permanent disability (TPD) insurance and income protection insurance.

Life cover pays a lump sum or income stream to your beneficiaries when you die, or if you are diagnosed with a terminal illness. TPD insurance pays a benefit if you become permanently or seriously disabled and are unlikely to work again. Income protection insurance pays you a regular income for a specified period if you can't work due to temporary disability or illness.

TIP: Depending on your situation, you may choose to hold insurance of one type or multiple types through your super, with the premiums automatically deducted from your super balance.

It's estimated that around 70% of Australians who have life insurance hold it through their super fund. However, the Australian Prudential Regulation Authority (APRA) has noted new and concerning developments that may see the costs of this insurance go up.

According to the data APRA has collected on life insurance claims and dispute statistics, premiums per insured member within super funds escalated during 2019 and 2020. APRA has likened this trend to what occurred between 2012 and 2016 when, after a period of significant premium reductions, insurers experienced significant losses. This led to large premium increases and more restrictive cover terms for insurance holders.

APRA notes that should this trend continue, super members are likely to be adversely affected by further substantial increases in insurance premiums and/or reductions in the value and quality of life insurance in superannuation. The regulator goes as far as saying that the ongoing viability and availability of life insurance through super may be at risk, which will impact a large proportion of the population.

It's not time to panic just yet, but it's important to regularly review what insurance you actually need, what cover you have through your super, and what you're paying for it, as premiums can add up and erode your super – especially if you're unnecessarily paying them to multiple funds!

TIP: Many funds allow you to adjust your insurance cover (either up or down) to suit changes in your situation, with corresponding premiums. And if you're not happy with the prices or levels of cover from your fund, you can always look into insurance offerings available separately from your super.

For now, APRA is continuing to monitor the situation to ensure that registrable superannuation entity (RSE) licensees take appropriate steps to safeguard pricing, value and benefits for members that adequately reflect the underlying risks and expected experience.

Important: Clients should not act solely on the basis of the material contained in Client Alert. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. Client Alert is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.