FLOWERS EDDY CPA

YEAR-END BREAK

At the close of a highly challenging year in which communities the world over faced previously unthinkable difficulties we take this opportunity to acknowledge and whole-heartedly thank our clients for your continued support and good humour. We have sought to assist you in any way we can especially during these tough economic times.

For now, it is time for our team to take a well-earned break. On that note, our office will be closed during the following dates:

From 11am Tuesday 22nd December 2020

To 8.00am Wednesday 6th January 2021

We wish you all a happy, safe and relaxing Christmas and a New Year with better times ahead.

Best wishes, Alicia, Anh, Annette, Bev, Dan, Gareth, Gavin, Jess, Julie, Karis, Kathryn, Marg, Michael B, Michael L, Pippa, Rhys, Sarah and Shirley.

JOBMAKING HIRING CREDIT PASSED

The government has passed legislation to establish the JobMaker Hiring Credit, which is part of the government's economic response to the COVID-19 pandemic.

The JobMaker Hiring Credit is specifically designed to encourage businesses to take on additional young employees and increase employment.

It does this by providing employers with a fixed amount of $200 per week for an eligible employee aged 16 to 29 years and $100 per week for an eligible employee aged 30 to 35 years, paid quarterly in arrears by the ATO.

To be eligible, the employee must have been receiving JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months, assessed on the date of employment. Employees also need to have worked for a minimum of 20 hours per week of paid work to be eligible, averaged over a quarter, and can only be eligible with one employer at a time.

The hiring credit is not available to an employer who does not increase their headcount and payroll.

Employers and employees will be prohibited from entering into contrived schemes in order to gain access to or increase the amount payable.

Existing rights and safeguards for employees under the Fair Work Act will continue to apply, including protection from unfair dismissal and the full range of general protections.

DEFERRALS OF INTEREST DUE TO COVID-19

Many lenders have this year allowed borrowers with investment property loans to defer repayments for a period of time.

While repayments are being deferred, interest (and fees) will usually be added to the loan balance (i.e., the deferred interest will be 'capitalised').

However, it is important to recognise in such situations that, while repayments are not being made during the relevant period, borrowers continue to ‘incur’ the interest during that time.

Further, interest will continue to be calculated and will accrue on both the unpaid principal sum of the loan and the unpaid (i.e., capitalised) interest. The interest that accrues on the unpaid or capitalised interest is referred to as ‘compound interest’.

Importantly, the ATO has previously acknowledged that, if the underlying, or ordinary, interest is deductible, then the compound interest will also be deductible.

Accordingly, interest expenses (including any compound interest) will generally be deductible to the extent the borrowed monies are used for income producing purposes (such as where the borrowed funds are used to purchase a rental property).

However, interest on a loan will not be deductible to the extent to which the borrowed funds are used for private purposes (e.g., to purchase a home, a private boat, or to pay for a holiday).

HOW TO AVOID GETTING DODGY ADVICE

The ATO is warning taxpayers who may be thinking about pausing, changing or closing their business, due to the current economic conditions, to be wary of untrustworthy advisers who may recommend inappropriate or illegal behaviour.

This could include illegal phoenix activity, where businesses intentionally remove their assets prior to winding up so that they can be used in a copy of the original business.

Red flags include:

- people the taxpayer doesn't know cold calling with advice;
- unsolicited letters, emails or phone calls after the taxpayer has been through court action with a creditor;
- advice to transfer assets to a third party without payment;
- refusal to provide advice in writing;
- advice suggesting they have a sympathetic liquidator who will protect the taxpayer's personal interests and assets;
- advice to withhold certain records from the bankruptcy trustee or liquidator, or provide incorrect information to authorities; and
- advice to deal with the liquidator or trustee on the taxpayer's behalf.

The ATO instead recommends anyone thinking of pausing, changing or closing their business to contact a qualified professional, such as an accountant, lawyer, or registered liquidator.

LAST CHANCE TO ACCESS COVID-19 EARLY ACCESS TO SUPER

31 December 2020 is the last day you can apply to access your superannuation early under the COVID-19 early access measures.

The ability to access up to $10,000 of your super is available to those that have been made redundant, have had their working hours reduced by more than 20%, and have been adversely financially impacted by COVID-19. If you are not in financial hardship you should not access your superannuation. The application process through myGov is a self-assessment process that you are responsible for. Penalties of up to $12,000 may apply for providing false or misleading information.