

OPINION:

WHY IS IT IMPORTANT TO KEEP MEETING
YOUR ATO LODGEMENT OBLIGATIONS?

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We were reviewing the eligibility criteria for the \$100K Cash flow Boost for employers and came across some additional eligibility requirements in relation to up to date lodgements as per the below:

GENERAL ELIGIBILITY CRITERIA

You will be eligible to receive the cash flow boost if you are a small or medium business entity, including not-for-profit organisations, sole traders, partnership, company or trust that:

- held an ABN on 12 March 2020 and continues to be active
- has an aggregated annual turnover under \$50 million (generally based on prior year turnover)
- made eligible payments you are required to withhold from (even if the amount you need to withhold is zero)

Eligible payments include:

- salary and wages
- director fees
- eligible retirement or termination payments
- compensation payments
- voluntary withholding from payments to contractors.

ADDITIONAL ELIGIBILITY CRITERIA

You must also have either:

- derived business income in the 2018-19 income year and lodged your 2019 tax return on or before 12 March 2020
- made GST taxable, GST-free or input-taxed sales in a previous tax period (since 1 July 2018) and lodged the relevant activity statement on or before 12 March 2020.

The ATO will generally determine whether you are a small or medium business entity based on your most recent income tax assessment for a prior year. However, where you do not have any income tax assessments for prior years, you may still be eligible if ATO is satisfied, based on other information they hold, that you are in business and would have an aggregated annual turnover under \$50 million.

The ATO will also give businesses further time to provide notice that business income or supplies were made. This will generally be the case where businesses have a lodgement deferral in place.

AS PER THE ATO UPDATE, IF YOU DID NOT HAVE A LODGEMENT DEFERRAL IN PLACE, THE BUSINESSES WILL NOT BECOME ELIGIBLE IF THEY LODGE OR AMEND RETURNS FOR THOSE PERIODS NOW.

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D+C INTERPRETATION OF ACCESSING THE CASH FLOW BOOST

Based on our review of the Stimulus Package Bill and ATO updates on 24 March & 25 March 2020 respectively, it appears that the timing of receipt of \$100K cash flow is dependent on how up to date you are in relation to your lodgment obligations in relation to 2018-2019 year.

- If you lodged your 2018-19 income tax return or an activity statement before 12-March 2020, you **do not need to apply for the cash flow boost. All you need to do is lodge your upcoming activity statements. The cash flow boost will be automatically credited to your activity statement account. You will not receive the cash flow boost before 28 April 2020, even if you lodge early.**
- If you have not lodged your 2018-19 income tax return or activity statements, you may still be eligible. ATO will publish further information to provide further clarification in near future. **If you have an activity statement lodgement deferral, you will still receive the cash flow boost - if you are eligible - at the time you lodge.** This ensures that eligible entities that have received deferrals (e.g. due to recent natural disasters) still have the extended time to lodge and will not miss out on the cash flow boost.
- If you did not have a lodgment deferral in place, there is a possibility that the business may not become eligible if they lodge or amend returns for those periods now. We are still awaiting further clarity from the ATO in relation to this.

IT WOULD BE OUR RECOMMENDATION TO BE UP TO DATE WITH YOUR 2019 AND 2020 YEAR LODGEMENTS IN RELATION TO INCOME TAX RETURNS AND BAS TO ENSURE THAT YOU DON'T MISS OUT ON THE CASH FLOW BOOST.

CLARIFICATION ON LODGMENT OBLIGATIONS

Following announcement of tax and administration relief by the Federal & State governments as well as by the Australian Taxation office, it appears that the taxpayers have assumed that the relief applies to lodgement deferrals automatically as well.

TO PROVIDE CLARITY, WE HAVE SUMMARISED MYTHS AND FACTS IN RELATION TO THE LODGEMENT OBLIGATIONS:

Myth I can defer my lodgment due date easily for 2019 tax return for up to 6 months.

Fact ATO's 6 month's relief is in relation to payment deferrals only and does not apply automatically to lodgment deferrals.

Myth I can defer lodgement of my outstanding BASs for 2018-2019 year for up to 6 months I can defer lodgement of my Business Activity Statements for 2019-2020 year for up to 6 months.

Fact ATO will require your financial information in relation to the current year (2020 year) and prior year (2019 year) to determine if you are eligible to receive certain benefits under stimulus packages announced by Federal and state governments.

For e.g. ATO will rely on information as per 2019 tax return and/or BASs to determine turnover for businesses, which will then determine eligibility criteria for PAYG withholding cash flow boost, instant asset write off, accelerated depreciation & SME \$250K loan.

Myth I can defer lodgement of my payroll tax returns with each of the respective states.

Fact All state governments providing payroll tax support (by way of refund, waiver, tax holiday), require lodgement of payroll tax returns on time.

D+C RECOMMENDATIONS:

BE UP TO DATE WITH YOUR LODGEMENT OBLIGATIONS

Ensure that you are up to date with your lodgement obligations and CONTINUE to lodge your ATO obligations by their due dates in relation to the following:

- Income Tax Return for 2019 year;
- Fringe Benefit Tax Return for 2019 year;
- Business Activity Statements/Instalment Activity Statements for the year ended 30 June 2019;
- Business Activity Statements/Instalment Activity Statements for 2020 year;

This will ensure that if any further stimulus packages are announced, you don't miss out due to late lodgements.

IT APPEARS THAT THOSE WHO HAVE DEFAULTED ON 2019 LODGEMENT OF TAX RETURNS AND BAS MAY MISS OUT ON THE \$100K CASH FLOW BOOST.

GET YOUR FINANCIALS UP TO DATE TO BE ABLE TO ACCESS FURTHER FINANCE QUICKLY

In order to access further finance from banks using the stimulus packages, the banks will ask for financials and tax return for 2019 year and draft financials for 2020 year. The bank finance is likely to be available from April 2020, hence it would be best to get your financials for 2019 and 2020 years ready in the meantime.

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