

# Tax update

APRIL 2022

## 2022-2023 Budget measures that are now law

### Low and middle-income tax offset

A measure that will benefit individual taxpayers is the increase in the low and middle-income tax offset (LMITO) for the 2022 income year by \$420. The LMITO reduces an individual taxpayer's tax liability.

The maximum amount of the LMITO for the 2022 income year will now be \$1,500 (up from \$1,080 for the 2021 income year). However, the LMITO will not be extended to the 2023 income year.

### Reduction in fuel excise

Fuel excise on petrol and diesel will be reduced by 50% (a reduction of 22.1 cents a litre) from 30 March 2022 to 28 September 2022. The temporary fuel excise reduction is to soften the impact of increased petrol and diesel prices, triggered by Russia's invasion of Ukraine.

### Tax deductions for work-related Covid-19 tests

The March tax update discussed a proposal for Covid-19 tests to be tax-deductible and exempt from FBT, where they are purchased for work-related purposes. The legislative change is now law with effect from 1 July 2021.

## Reminder of March 2022 quarter superannuation guarantee

Employers are reminded that their superannuation guarantee (SG) obligation for the 1 January 2022 to 31 March 2022 quarter is due by 28 April 2022.

And an advance warning to employers that the compulsory 10% SG rate will increase to 10.5% from the period 1 July 2022 to 30 June 2023.

So now is a good time to ensure your payroll systems and SG calculators are updated before the start of the next income year.

## Cents per kilometre deduction for car expenses – 2023 income year

The ATO has proposed that, for individual taxpayers who use the cents per kilometre (c/km) method when calculating tax deductions for work-related car expenses, the rate per kilometre for the income year starting 1 July 2022 (the 2023 income year) will be 75 c/km.

This is an increase from the 72 cents rate applicable for the 2021 and 2022 income years.

The ability to claim a deduction under the c/km method is subject to a cap of 5,000 business kilometres annually. Individual taxpayers will claim deductions for work-related car expenses (where eligible) under one of two alternative methods: a logbook or c/km. Many taxpayers cannot use the logbook method because they have not maintained a valid 12-week logbook in the last five years.

## JobMaker Year 2: adjusting baseline headcount

If you have been claiming the JobMaker Hiring Credit, please be aware the ATO will now calculate an adjusted baseline headcount for the claim.

The ATO will amend the prefill in the claim form based on information provided in earlier claims.

The ATO does this each period by calculating the greatest headcount increase that occurred in a period that began 12 months or more before the current claim period. The ATO then adds that increase to the baseline headcount.

The adjustment occurs because eligible businesses can only claim the JobMaker Hiring Credit for up to a year for each additional job they create.

The baseline headcount is an integrity measure designed to ensure that, where an employer is claiming a JobMaker Hiring Credit for a new employee aged between 16-35, they have also increased their overall number of employees. This is designed to prevent employers terminating the services of current employees and replacing them with employees aged 16-35.

Broadly speaking, to qualify for the JobMaker Hiring Credit an employer must have not only employed an eligible individual but also increased their overall employee headcount.

## Re-contribution of Covid-19 early release super amounts

Individuals can now re-contribute amounts they withdrew under the Covid-19 early release of super program without the re-contribution counting towards their non-concessional contributions cap.

The contributions can be made between 1 July 2021 and 30 June 2030. Individuals can make Covid-19 re-contribution amounts to a fund of their choice, where the funds' rules allow.

Covid-19 re-contribution amounts are reported as personal contributions. If the fund member is found to be ineligible to make the re-contribution (for example, they may be required to satisfy the work test and do not do so at the time of a re-contribution), that may result in the member exceeding their non-concessional contributions cap.

Once an amount originally withdrawn under the Covid-19 early release program has been re-contributed, it cannot be released from that fund until the member satisfies a condition of release – such as obtaining the age of 65 or having met their preservation age and retired.

## Penalties for overdue TPAR

The taxable payments annual report (TPAR) must be lodged by 28 August each year. Taxpayers who operate in certain industries and make payments to contractors may need to report the payments in a TPAR.

Affected industries where taxpayers may have an obligation to lodge a TPAR are:

Cleaning services	Courier services	Information technology services
Building and construction services	Road freight	Security, investigation or surveillance services

From 23 March 2022, the ATO will apply failure-to-lodge penalties to those who:

- did not lodge their 2021 or prior year TPAR
- have already been sent three non-lodgement letters about their overdue TPAR
- do not respond to an ATO follow-up phone call about their overdue TPAR.

In the coming weeks, the ATO may phone tax agents (or taxpayers directly) about their overdue TPAR, to follow up the non-lodgement letters that have been sent.

**If you have questions or require assistance with any issues raised in this tax update, please contact Advisory Partner.**

**Please note:** Many 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 specific circumstances.