

MARCH 2021

TAX IMPLICATIONS OF HAVING MORE THAN ONE JOB

With insecure, contract and casual work becoming increasingly common, particularly in the current COVID-19 affected economy, it's no surprise that many young and not-so-young Australians may have income from more than one job. If you are working two or more jobs casually or have overlapping contract work, you need to be careful to avoid an unexpected end of financial year tax debt.

This type of debt usually arises where a person with more than one job claims the tax-free threshold in relation to multiple employers, resulting in too little tax being withheld overall. To avoid that, you need to look carefully at how much you'll be making and adjust the pay as you go (PAYG) tax withheld accordingly.

Currently, the tax-free threshold is \$18,200, which means that if you're an Australian resident for tax purposes, the first \$18,200 of your yearly income isn't subject to tax. This works out to roughly \$350 a week, \$700 a fortnight, or \$1,517 per month in pay.

When you start a job, your employer will give you a tax file number declaration form to complete. This will ask whether you want to claim the tax-free threshold on the income you get from this job, to reduce the amount of tax withheld from your pay during the year.

A problem arises, of course, when a person has two or more employers paying them a wage, and they claim the tax-free threshold for multiple employers. The total tax withheld from their wages may then not be enough to cover their tax liability at the end of the income year. This also applies to people who have a regular part-time job and also receive a taxable pension or government allowance.

The ATO recommends that people who have more than one employer/payer at the same time should only claim the tax-free threshold from the employer who usually pays the highest salary or wage. The other payers will then withhold tax from your payments at a higher rate (the "no tax-free threshold" rate).

If the total tax withheld from of your employer payments is more than needed to meet your year-end tax liability, the withheld amounts will be credited to you when your income tax return is lodged, and you'll get a tax refund. However, if the tax withheld doesn't cover the tax you need to pay, you'll have a tax debt and need to make a payment to the ATO.

TIP: If you have two or more incomes, for example from casual or contract jobs or because you get a pension and have part-time employment income, we can help you figure out your tax withholding arrangements and avoid a surprising bill at tax time.

CLOSELY HELD PAYEES: STP OPTIONS FOR SMALL EMPLOYERS

Small employers with closely held payees have been exempt from reporting these payees through single touch payroll (STP) for the 2019–2020 and 2020–2021 financial years. However, they must begin STP reporting from 1 July 2021.

TIP: STP is a payday reporting arrangement where employers need to send tax and superannuation information to the ATO directly from their payroll or accounting software each time they pay their employees.

For STP purposes, small employers are those with 19 or fewer employees.

A closely held payee is an individual who is directly related to the entity from which they receive a payment. For example:

- family members of a family business;
- directors or shareholders of a company; and
- beneficiaries of a trust.

Small employers must continue to report information about all of their other employees (known as "arm's length employees") via STP on or before each pay day (the statutory due date). Small employers that only have closely held employees are not required to start STP reporting until 1 July 2021, and there's no requirement to advise the ATO if you're a small employer that only has closely held payees.

The ATO has now released details of the three options that small employers with closely held payees will have for STP reporting from 1 July 2021:

- option 1: report actual payments through STP for each pay event;
- option 2: report actual payments through STP quarterly; or
- option 3: report a reasonable estimate through STP quarterly – although there are a range of details and steps to consider if you take this option.

TIP: If your business will need to lodge through STP soon, we can help you find an easy and cost-effective STP-enabled solution, or we can lodge on your behalf. Whatever you choose, remember that STP reports can't be lodged through ATO online services and isn't a label on your BAS, so early preparation is needed.

ATO DATA-MATCHING: JOBMAKER AND EARLY ACCESS TO SUPER

The ATO is kicking into gear in 2021 with another two data-matching programs specifically related to the JobMaker Hiring Credit and early access to superannuation related to COVID-19. While the data collected will mostly be used to identify compliance issues in relation to JobMaker and early access to super, it will also be used to identify compliance issues surrounding other COVID-19 economic stimulus measures, including JobKeeper payments and cash flow boosts.

As a refresher, the temporary early access to super measure allowed citizens or permanent residents of Australian or New Zealand to withdraw up to two amounts of \$10,000 from their super in order to deal with adverse economic effects caused by the COVID-19 pandemic. The JobMaker Hiring Credit is a payment scheme for businesses that hire additional workers. Both measures have particular eligibility conditions to meet for access.

The ATO expects that data relating to more than three million individuals will be collected from Services Australia (Centrelink) for the temporary early access to super program, as well as data about around 450,000 positions related to JobMaker. Approximately 100,000 individuals' data will also be collected from the state and territory correctional facility regulators.

While the data collected will primarily be used to verify application, registration and lodgment obligations as well as identify compliance issues and initiate compliance activities, the ATO will also use it to improve voluntary compliance, and to ensure that the COVID-19 economic response is providing timely support to affected workers, businesses and the broader community.

SUPER TRANSFER BALANCE CAP INCREASE FROM 1 JULY 2021

If you're nearing retirement and have a large amount in your transfer balance account, it may be wise to delay until 1 July 2021 to take advantage of the upcoming pension transfer cap increase from \$1.6 million to \$1.7 million due to indexation.

At the time you first commence a retirement phase superannuation income stream, your "personal transfer balance cap" is set at the general transfer balance cap for that financial year.

Essentially, the transfer balance cap is a lifetime limit on the total amount of super that you can transfer into retirement phase income streams, including most pensions and annuities, so a larger cap amount means you can have a bit more money in your pocket throughout your retirement.

This cap amount takes into account all retirement phase income streams and retirement phase death benefit income streams, but the age pension and other types of government payments and pensions from foreign super funds don't count towards it.

The ATO has confirmed that when the general transfer balance cap is indexed to \$1.7 million from 1 July 2021, there won't be a single cap that applies to all individuals. Rather, every individual will have their own personal transfer balance cap of between \$1.6 million and \$1.7 million, depending on their circumstances.

TIP: Commencing a pension is a complex area and care needs to be taken to get it right for a comfortable retirement. Talk to us today to find out how we can help.

YOUR FUTURE, YOUR SUPER LEGISLATIVE CHANGES

The Treasury Laws Amendment (Your Future, Your Super) Bill 2021 has been introduced to Parliament to implement some of the “Your Future, Your Super” measures announced in the 2020–2021 Federal Budget. Treasurer Josh Frydenberg has said the measures are intended to save \$17.9 billion over 10 years by holding underperforming super funds to account and strengthening protections around people’s retirement savings. The changes include:

- “stapling” your chosen super fund so it follows you when you change jobs, and you don’t end up paying fees for multiple accounts;
- requiring funds to pass an annual performance test, and report underperformance to fund regulators and members;
- strengthening trustees’ obligations to only act in the best financial interests of fund members; and
- creating an interactive online YourSuper comparison tool which will encourage funds to compete harder for members’ super.

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