client alert

tax news | views | clues

Cheaper child care on the horizon

Families struggling with the current cost of living crisis could soon have some relief with cheaper child care coming mid-year. The recently passed child care subsidy reforms were a component of Labor's election platform, with a promise to make early childhood education and child care more affordable. According to the government, with the passing of the legislation, 96% of families with children in early childhood education and care will benefit, with no family being worse off.

From 1 July 2023, the rate of child care subsidy (CCS) that Australian families are entitled to receive will increase. Currently, the highest CCS percentage families can receive for their first child in care is 85%. With the passing of the legislation, families that earn up to $80,000 will receive a CCS rate of 90%, which will taper down until it reaches 0% for families earning $530,000.

The existing measure that provides a higher CCS rate for families with multiple children under five years old in child care will continue to apply, so that for second and younger children five years and under in care, families will receive an additional 30% up to a maximum of 95%.

The new rates will apply from the first CCS fortnight starting on 1 July 2023 and the base rate threshold of $80,000 will be indexed annually with CPI increases, although the amount will not be indexed in 2023.

FBT reminder: electric cars exemption

It's FBT time again, and for the 2022–2023 FBT year it's important to remember that your business may be able to get an exemption for certain eligible electric vehicles made available for the private use of your employees.

To meet the conditions for exemption, the car must be either a battery electric vehicle, a hydrogen fuel cell electric vehicle or a plug-in hybrid electric vehicle used for the first time on or after 1 July 2022, even if it was held (owned or leased) before that date, and must be valued under the luxury car tax (LCT) threshold for fuel efficient cars.

For FBT purposes, motorcycles and scooters are not considered to be cars and therefore would not be eligible for the exemption even if they happened to be electric.

If an electric vehicle meets all of the conditions, car expenses such as registration, insurance, repairs and maintenance, and the fuel/electricity to charge cars, will also be exempt. However, a home charging station is not considered a car expense associated with providing a car fringe benefit, so those costs will not be exempt. Businesses will also need to include the value of any eligible electric cars benefits provided when working out whether an employee has a reportable fringe benefits amount.

Tax-records education direction measure now in place

Late in 2022, amendments to the tax law passed Parliament that, among other things, included a measure to allow the ATO to issue a "tax-records education direction" where the Commissioner of Taxation reasonably believes that an entity has failed to comply with one or more specified record-keeping obligations. As an alternative to imposing a financial penalty, such an education direction will require the entity to complete an approved record-keeping course. Successful completion of the course will mean the relevant entity will no longer be liable for a penalty.

According to the ATO, the purpose of the tax-records education direction is to help educate businesses about their tax-related record-keeping obligations. This type of direction will only be issued to entities that are carrying on a business, and will be best suited to small business entities. A direction will most likely be issued where the ATO believes an entity has made a reasonable and genuine attempt to comply with, or had mistakenly believed they were complying with, their tax record-keeping obligations.

Entities that have been or are disengaged from the tax system or deliberately avoiding obligations to keep records will not be eligible for this alternative to penalties. Factors that point to disengagement or deliberate avoidance include poor compliance history, poor engagement with the ATO regarding information requests, deliberate loss or destruction of documents, or fabrication of documents.

To comply with the education direction, a relevant individual to the entity (a director, public officer, partner, etc), must be able to show evidence that they have completed the ATO-approved online record-keeping course by the end of the specified period. Successful completion of the course by the due date means the entity will no longer be liable to a penalty. If the course is not completed by the due date, the entity will be liable to a penalty of up to 20 penalty units (currently $5,500).

Have you checked for lost and unclaimed superannuation?

The ATO has recently reported there is now $16 billion in lost and unclaimed super across Australia, and is urging Australians to check their MyGov account to see if some of the money is theirs.

Super becomes "lost super" when it's still held by the fund but the member is uncontactable or the account is inactive. All lost member accounts with balances of $6,000 or less are transferred to the ATO, which means the ATO is holding large sums of money waiting for people to claim it.

Super providers are also required to report and pay unclaimed super to be held by the ATO once the money meets certain criteria.

Deputy Commissioner Emma Rosenzweig said finding your lost or unclaimed super is easy and can be done in a matter of minutes.

"People often lose contact with their super funds when they change jobs, move house, or simply forget to update their details. This doesn't mean your super is lost forever – far from it. By accessing ATO online services through myGov, you can easily find your lost or unclaimed super."

While the ATO says it's doing all it can to get this money back where it belongs, this relies on people keeping their contact information up to date. The best thing you can do to ensure you're getting what you're entitled to is check that your super fund and MyGov account have your current contact information and correct bank account details.

Almost one in four Australians also hold two or more super accounts, which can contribute to forgetting about or losing super. If you've unknowingly got multiple accounts, you could be losing hundreds of dollars a year to fees and duplicated insurance costs. If you're unsure whether to consolidate your accounts, check with your super funds, which can advise if there are any exit fees and whether you'll lose any valuable insurance.

TIP: For information on how to manage super and view super accounts, including lost and unclaimed super, visit www.ato.gov.au/checkyoursuper.

ASIC: insurance in super improvements

The Australian Securities and Investments Commission (ASIC) has released results of its recent review on improving arrangements for life insurance in super funds. The review was conducted as a follow-up to issues first identified in 2019, when ASIC found that some super trustees offered insurance that unnecessarily erodes a member's retirement balance, inappropriate coverage of insurance due to restrictive definitions and exclusions, and unreasonably onerous or lengthy claims handling processes.

To find out whether improvements had been made in the industry, ASIC used its compulsory information-gathering powers to examine the actions of 15 selected trustees. In total, approximately three million super accounts in these trustees' funds had death and/or total and permanent disability (TPD) cover, and approximately 800,000 accounts had income protection (IP) cover at 30 June 2022. This information was further supplemented with industry-level data from the Australian Prudential Regulation Authority (APRA) and the Australian Financial Complaints Authority (AFCA) to gauge the overall level of improvement.

Overall, the report concluded that while the changes observed are a positive step towards reducing risks of members receiving insurance that does not meet their needs or paying for cover they cannot claim on, trustees need to continue improving how they monitor and respond to those risks. ASIC says it will continue to work closely with APRA to drive better practices in the super industry, and will use its regulatory powers where trustees and insurers are not complying with their obligations.

TIP: If you're not sure what insurance policies you have in super or whether there are any restrictive obstacles to potential claims, we can help you work it out – contact us today.