

Tax News - March 2020

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Employee share trusts

Employee share plan trusts may be a useful and tax effective way for private company employers to reward, retain and motivate staff.

Typically, employers may wish to provide staff generally and key staff in particular with an incentive to stay with the company and help build its business for the future, whether for eventual sale or simply the building of profits and commitment to the company.

Contributions to an employee share plan trusts for non-associate employees can be tax-deductible to the employer without being subject to fringe benefits tax or superannuation, are non-assessable to the share plan trustee and may be assessable to the employee only some years after the shares are allocated in the employee share plan trust to the employee. The employee may also receive tax-effective franked dividend income from their interest in the employee share trust.

Goods taken from stock for private use by business owners

The ATO has released Tax Determination [TD 2020/1](#) updating the amounts that are acceptable as estimates of the value of goods taken from trading stock for private use by business owners (including their associates) in certain industries. Such amounts are deemed to be assessable income of the taxpayer.

For example, the amount, excluding GST, for a person aged over 16 years is \$1,350 for a bakery and \$4,640 for a licensed restaurant.

Government bushfires assistance

The Federal Government has announced some additional relief including:

- Immediate cash grants of up to \$50,000 to small business owners hit by the bushfires;
- Immediate cash grants of up to \$75,000 to farmers hit by the bushfires; and
- Loans of up to \$500,000 to be made available to any business that has suffered asset or revenue losses as a result of the bushfires. The term of the loan will be for up to 10 years with no repayments and no interest charges in the first 2 years. Thereafter the loans will carry a low fixed interest rate.

The Government is introducing legislation to ensure that bushfire assistance amounts received will be exempt from income tax. The exemption is to apply to Disaster Recovery Allowance payments made to individuals and payments that would otherwise be taxable under the Disaster Recovery Funding Arrangements, such as grants that may be made to small businesses and primary producers.

State governments have also announced some assistance. NSW, for example will introduce a payroll tax exemption for wages paid to employees engaged in bushfire activities or operations.

Tax deductible bushfire donations

Donations made to bushfire appeals will only be tax deductible where made to a Deductible Gift Recipient (DGR). A DGR is a body recognised by the ATO to receive tax deductible donations.

The National Bushfire Recovery Agency has a full list of the charities with DGR status that have established appeals. A DGR should provide a receipt of the amount paid, its identification number and a statement that the donation is tax deductible.

Car parking fringe benefits

The ATO has advised that where employers provide car parking fringe benefits to their employees, the taxable value of these benefits must be calculated correctly to ensure they are meeting their fringe benefits tax (FBT) obligations. This is regardless of the method used.

From February, the ATO may contact clients who have engaged an arm's length valuer as required under the market value method. In some instances the ATO has found valuers have prepared reports using a daily rate that doesn't reflect the market value. As such, the taxable value of the benefits is significantly discounted or even reduced to nil. The ATO said it is the client's responsibility to determine if a valuation is correct.

In addition to the valuation report, employers need a declaration relating to the FBT year that includes the:

- number of car parking spaces available to be used by employees
- number of business days
- daily value of the car parking spaces.

Fringe benefits tax & emergency assistance

The FBT exemption applies to benefits provided to employees who are impacted or potentially impacted in:

- a natural disaster
- an accident
- a serious illness
- an armed conflict
- a civil disturbance.

Emergency assistance provided to employees is exempt from FBT when it is:

- first aid or other emergency health care
- emergency, meals, food supplies, clothing, accommodation, transport, household goods
- temporary repairs
- any similar assistance.

The emergency health care exemption only applies to health care treatment provided:

- by an employee of the business (or related company)
- on the business premises (or premises of a related company)
- by a company doctor at an accident site
- at or near an employee's worksite.

Long-term benefits such as a new house or a replacement car to replace those destroyed as a result of an emergency are not FBT exempt.

Data-matching of lifestyle assets

The ATO revealed it will be requesting a further five years' worth of policy information from over 30 insurance companies about taxpayers who own marine vessels, thoroughbred horses, fine art, high value motor vehicles and aircraft. Insurers have been asked to provide the ATO with policy details for "lifestyle assets" over certain asset value thresholds as part of the agency's efforts to ensure taxpayers are fulfilling their tax and superannuation reporting obligations.

The ATO expects to receive information about assets owned by around 350,000 taxpayers from 2015–16 to 2019–20 as part of its data-matching program of work. Information provided by insurers will be used by the ATO as part of compliance profiling activities.

Deputy Commissioner Deborah Jenkins said knowing who owns these lifestyle assets such as private jets and yachts helps the agency get a more complete picture about the actual financial situation of taxpayers as compared with what is reported on tax returns.