With EOFY a few days away, what do accountants and tax advisers need to watch out for this tax season?

What are the 5 areas accountants and tax advisers need to watch out for this EOFY?

Currently we are on the precipice of a financial year-end that is unprecedented in its intensity and scope for potential oversights due to the sheer magnitude of changes accountants and tax advisers have had to manage throughout the COVID-19 pandemic.Given 30 June is less than a week away, now is the time to ensure you're on top of the primary areas of possible confusion and omission this upcoming tax season.

According to Kirsty McDonnell, Tax Director at Baskin Clarke Priest, there are five particular areas accountants and tax advisers need to be aware of this EOFY.

The first surrounds the treatment of the Federal Government's CoronaVirus Stimulus Measures such as the JobKeeper and Cash Flow Boost payments.

Kirsty explains; "There are a multitude of questions about how to treat payments stemming from the JobKeeper and Cash Flow Boost initiatives. The main ones concern the correct tax treatment of accessing the Cash Flow Boost if it was paid into a company or a trust given it's not taxable income, as well as how JobKeeper payments paid to eligible business participants should be treated and can be accessed."

Another major area to watch out for is bad debts and debt forgiveness. It's anticipated that this financial year-end will see an increase in bad debts and debt forgiveness. According to Kirsty, given the importance of successfully claiming deductions for bad debts, it's vital to have completed all the necessary requirements, such as formally writing off the debt/loan with written particulars.

She adds that you also need to ask questions such as:

- Does the entity claiming also need to satisfy the loss recoupment tests to claim the bad debt as a tax deduction?
- For loans that are forgiven will the commercial debt forgiveness provisions apply to the borrower and will the lender be entitled to a capital loss?
- Have you considered the interaction of the deeming provisions in the commercial debt forgiveness provisions and the personal use asset provisions that may disregard any capital loss? Remembering that the personal use asset provisions can includes debts arising other than in the course of gaining or producing your assessable income or from carrying on a business (i.e. it could apply to interest free non- business loans).

When undertaking tax planning and preparing final accounts, determining year-end dividends and making trust resolutions, another timely issue for consideration in this current environment is residency.

Kirsty explains; "With residency, it refers to the residency of any person that has been forced to return to Australia or cannot come home and is overseas as this can have implications for both the individual and the entities that they are involved in or control."

One area clearly lacking any direction or certainty this tax season is Division 7A. Kirsty elaborates; "Whilst it has been indicated that Division 7A changes are due to take effect from 1 July 2020, to date there has been no corresponding legislation introduced, which begs the question: how should accountants and tax professionals proceed to manage these anti-avoidance provisions without any guidance?"

The fifth and final area accountants and tax advisers need to ensure they don’t overlook is the Superannuation Guarantee (SG) Amnesty.

Kirsty remarks: “With the pressure of this financial year, and an intense EOFY, it’s all too easy to miss the SG Amnesty deadline of 7 September. However given the ATO has indicated a willingness to negotiate flexible payment plans for employers registered for the amnesty and impacted by the pandemic, it is crucial to remember this cut-off date as it’s the final date for businesses to disclose any superannuation guarantee shortfalls from 1 July 1992 to 31 March 2018 without penalty.”

It’s clear that 30 June 2020 will be a unique experience for all involved. The need to manage both standard year-end tax preparations, reporting for the first time for many employers under single touch payroll, alongside the raft of CoronaVirus Measures will challenge accountants and tax advisers. However proactive management and an awareness of potential pitfalls should see a more manageable tax season.

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