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Upcoming changes for pension and income support recipients

As a part of the government's strategy to get more people back into work to solve skills shortages being experienced by many industries, a permanent enhancement to the pensioner work bonus has been announced, along with a doubling of the employment income nil rate period to reduce barriers for income support recipients to take up work.

Under the Age Pension income tests, a single individual can earn up to $204 per fortnight and a couple up to $360 per fortnight before the amount of pension starts to reduce at a rate of 50 cents for every dollar over the respective thresholds. The work bonus for pensioners reduces the amount of eligible income that is included in the income test, meaning that pensioners can earn more before their pensions are reduced. It accrues at a rate of $300 per fortnight up to the maximum limit.

The maximum work bonus balance limit is $11,800 from the period 1 December 2022 to 31 December 2023. During this period, pensioners are also eligible for a one-off increase of $4,000 to their work bonus balance. The maximum work bonus balance limit was temporarily increased from the previous limit of $7,800 as a result of the Jobs and Skills Summit and was set to expire 1 January 2024 without the introduction of legislation to extend it.

To enable to continuation of the measure, the government has announced that, pending the passage of legislation, all new pension entrants over the Age Pension age and eligible veterans will have a starting work bonus income bank balance of $4,000. In addition, existing and new eligible recipients will retain the current elevated maximum work bonus limit of $11,800, all set to commence from 1 January 2024.

To complement the work bonus measure, the government has also announced the doubling of the employment income nil rate period to 12 fortnights and will expand access to those who enter full-time employment from 1 July 2024, pending the passage of legislation. Currently, if an income support recipient earns employment income over a certain amount, the income support payment is reduced to nil, and after six fortnights the support payment is cancelled if the employment income is still too high.

Sharing economy reporting regime for platform operators

Individuals participating in the sharing economy should be aware that transactions for supplying taxi travel/ride sourcing and short-term accommodation are now required to be reported under the sharing economy reporting regime (SERR). Generally, all operators of electronic distribution platforms (EDPs) must report transactions made through their platform. While the reporting requirements ostensibly apply to the platforms, the regime is expected to heavily affect individual taxpayers who work in the sharing economy, with the information obtained through the program to be used in ATO data matching and compliance projects.

The SERR has now commenced for the 2023–2024 income year. Only transactions for supplying taxi travel/ride sourcing and short-term accommodation need to be reported under the regime. However, from 1 July 2024, the SERR will apply to all other reportable transactions of EDP operators, including hiring of assets (consisting of hire of personal assets, storage or business space), food delivery and professional performing tasks and activities will need to be reported.

Generally, all operators of EDPs must report transactions made through their platform. An EDP is defined as any service that allows sellers to make supplies available to buyers and is delivered via electronic communication (eg website, internet portal, gateway, application, online store, marketplace).

According to the ATO, compliance profiles of individuals participating in the sharing economy will be created using the SERR data to generally improve ATO intelligence. In addition, the data will be used to improve tax compliance, both voluntarily through education programs and/or through enforcement measures.

ATO shifting to firmer debt collection activity

The ATO has flagged a return to firmer debt collection actions after seeing a trend of profitable businesses that have the capacity to pay their tax debts but are actively choosing not to do so. It warns business taxpayers not to treat tax liabilities like a free loan, and reiterates that businesses are only temporary custodians of GST, PAYG withholding and super guarantee amounts. In addition to its ability to apply general interest charge (GIC) to unpaid debts, the ATO has stronger enforcement actions in its arsenal, including issuing garnishee notices and legal action.

With less than six months left in his tenure as the Commissioner of Taxation, in a recent speech Chris Jordan has unapologetically flagged the ATO's shift to firmer debt collection actions where appropriate. This coincides with reactivation of debts that the ATO previously put on hold during the 2020 COVID-19 pandemic.

The Commissioner noted that most collectable debts with the ATO are self-assessed and include not only income tax debt, but also unremitted GST and unpaid PAYG withholding, as well as super guarantee charges related to businesses. In addition, he noted that small businesses continue to be over-represented in the ATO's debt book, owing over $33 billion of the $50.2 billion of collectable debt, with $23 billion of that being unpaid business activity statement debt.

In general, if taxpayers do not pay their tax by the due date or engage with the ATO by the due date to work out a payment plan, GIC will be applied to any unpaid amounts. GIC is automatically calculated on a daily compounding basis on the amount outstanding and added to taxpayers' accounts periodically.

The ATO is also legally required by law to use any credits or refunds taxpayers become entitled to, to pay off any debt that is owed (including any debts that are "on hold") by way of offsetting. This includes any refund that individuals may receive in relation to income tax, and any GST refunds that businesses may receive.

The ATO has previously referred debts to external debt collection agencies, although it no longer does so. However, it has not ruled out doing so for future debts.

Tax exempt organisations required to lodge returns with the ATO: a reminder

In case you might have forgotten, following an announcement in the 2021 Federal Budget, organisations that used to have the option of self-assessing their income tax exemption status will soon be required to submit an annual self-review report (a return) to the ATO.

Impacted organisations will include non-charitable entities – those not endorsed by the Australian Charities and Not-for-profits Commission (ACNC) – that fall into the following eight categories:

- community services;
- sporting;
- cultural;
- educational;
- health;
- employment;
- scientific; and
- resource development (eg agricultural, horticultural, industrial, manufacturing, etc).

The new rules come into effect from the 2023–2024 income year. For June year-ends, the first year affected is therefore the year ending 30 June 2024. Typically, organisations with December year-ends are "early balancers" and therefore will first need to lodge a return for the year ending 31 December 2023. The return forms will become available from 1 July 2024 and will need to be lodged by 31 October 2024.

There is no change for not-for-profits that are subject to income tax, such as some membership organisations that mainly provide benefits to members, and are already required to lodge income tax returns.

Lodgement will be via an online form that can be completed by either the entity themselves, or their tax agent. Once an organisation has lodged its first return, the ATO will produce a pre-populated form for future years. In future, organisations will need to either simply lodge their pre-filled annual confirmation or update the return with any new information before lodging.

Where entities don't lodge the required form, they face possible consequences, including being ineligible for income tax exemption, as well as financial penalties.

The ATO has indicated that the questions included in the return form will be designed to guide organisations in the consideration of their purpose and activities.

For many organisations, these requirements will be a minor extension of their regular self-review procedure, which they may already be conducting. For others, this may be very new, and perhaps an escalation in terms of the organisation's governance practices.

Proposed mechanisms for payday super

In an effort to reduce wage theft and prevent losses in retirement income for many Australians, the government is seeking to legislate its payday super measure, as first proposed in the 2023–2024 Federal Budget. As the first step, a consultation paper has been released which proposes two models that could be used to implement the measure.

Unpaid superannuation is equivalent to wage theft and is detrimental to the retirement income of many Australians. That's why the government proposed measures to reduce the structural drivers of unpaid super guarantee (SG), including increasing the payment frequency of SG to occur at the same time as when salary and wages are paid (payday super), and increasing the ATO's data matching capabilities to target SG compliance.

The consultation paper proposes two models that could be used to implement the payday super measure: the employer payment model and the due date model. Under both models, the SG charge, which is currently designed for quarterly payments, will need to be updated to align with a more frequent payment schedule. Essentially, the SG charge is a penalty that applies if an employer does not pay an employee's SG amount in full, on time and to the right fund.

Under the employer payment model, it's proposed that the SG charge would be based on a requirement that the employer make the payment of an SG contribution on payday, and where a payment is not made, the employer would become liable to pay the SG charge from that date (ie nominal interest would be calculated from this date). The ATO will be required to make reconciliations between the STP (Single Touch Payroll) and Member Account Transaction Service (MATS) data to ensure that the correct amount of super has been received by an employee's super fund.

For the due date model, the current model of the SG charge would possibly be retained, with an employer becoming liable to pay the SG charge if their employee's super contribution is not with their fund by a specified due date. Contributions would need to be received by a super fund within a certain number of days following an employee's payday.

Regardless of the model used, the ATO will use enhanced reporting by employers and funds to ensure that super payments have been paid on payday or received by the funds by the due date. It will then initiate SG charge assessment through compliance activities more frequently, with lower reliance on and need for cases to be raised through employee notifications.

Based on the outcomes of the consultation, the government will redesign the super compliance framework to incorporate payday super, which is proposed to commence from 1 July 2026.