



ATO clarifies JobKeeper pre-fill treatment

The ATO has now clarified how to treat different income types, including JobKeeper payments and employment termination payments, at tax time this year.

ATO assistant commissioner Karen Foat has confirmed that sole trader clients on JobKeeper will now need to manually include those payments on their tax returns as it will not be pre-filled.

“For sole traders, they do need to add [JobKeeper payments] into the business income. That won't happen automatically,” said Ms Foat on an ATO webcast.

“So eligible business participants must put it in their business income.”

On the flipside, most individual clients on JobKeeper or JobSeeker payments will see those amounts in their pre-fill report.

“When it comes to things like JobKeeper, as an employee, it is included either in the salary and wages for that person or in allowances on their income statement,” added Ms Foat.

“When that income statement is finalised, we will automatically include that information in the prefilled report, so you don't need to worry about adding JobKeeper on top for employees.

“For JobSeeker, that needs to go at the Australian government payments and allowances question; again, we'll include that information in the prefilled report.”



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Tax on employment payments

Ms Foat said practitioners should also ask clients about one-off payments made by their employers as a result of having to stand them down because of COVID-19.

Employers may give such payments special names, such as a stand-down payment; COVID-19 payment; or pandemic payment.

However, the ATO will treat these payments the same as usual payments from the employer.

“If you [clients] have received a payment like that, it is treated like salary and wages. And once again, it should appear on the relevant income statement. But if you are [clients] unsure whether the employer has included it, you can check with your employer,” said Ms Foat.

Individual clients receiving employment termination payments will also need to be factored in this tax time.

“How these are taxed really does depend on the circumstances - like was it a genuine redundancy, how long has the person worked with the employer?,” she said.

“I would simply suggest most of the information will be included in income statements or as an employment termination payment summary. So then that information is shown how it should be taxed and included in the return.”



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Wait until income statements are finalised

With Single Touch Payroll now in force for all businesses, apart from [closely held payees](#), taxpayers have been [urged to hold from lodging](#) until their employers have marked their income statement as “tax ready”.

Employers with 20 or more employees will have until 14 July 2020 to make a finalisation declaration, while employers with 19 or fewer employees will have until 31 July 2020.

“The real thing about waiting until it is tax ready, is... one, if a return is lodged before it is tax ready, it requires us (ATO) to hold the return until we can validate some of the figures in the return,” said ATO assistant commissioner Adam O’Grady.

“Alternatively, if the return is processed through and then finalised later on, we finish up having to create a bill and that creates further distress for the client.

“So just having that bit of a gap, or wait, until those records are finalised can save a bit of time and angst down the track.”

19th June 2020



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