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COVID-19 vaccination rewards: tax implications

Amidst the Omicron COVID-19 wave and with our governments shortening booster dose intervals, many businesses are encouraging their employees and customers to get either vaccinated or get their booster dose by offering rewards or incentives. While this is an effective way to help employees and customers stay safe and businesses to stay open, it's important to consider that there may be some tax consequences involved.

If your business provides free or discounted goods, services, vouchers, gift cards, rewards points or other non-cash benefits to *everyone* who has had their COVID-19 vaccinations, those benefits will not be subject to FBT, even if your employees take part in the program. This is because the benefit isn't provided in respect of your employees' employment. Providing these types of non-cash benefits *only* to your employees may be subject to FBT; however, a benefit with a value under $300 may qualify for a minor benefit exemption.

If a non-cash benefit provided to your employees doesn't qualify for the minor benefit exemption, a reduction in taxable value of FBT may be available if the benefit is an "in-house" one. Generally, an in-house benefit is something identical or similar to the benefits you provide to customers in the ordinary course of business – for example, clothes given by a clothing retailer.

TIP: If your business provides transport or pays for an employee's transport to get their COVID-19 vaccination or booster, the travel would be considered work-related preventative health care, which is exempt from FBT.

If you give your employees a cash payment for getting vaccinated, your business will need to report it via Single Touch Payroll (STP) as part of each employee's salary or wages, withhold tax from the amount under PAYG withholding, and include the amount in each employee's ordinary time earnings for the purposes of determining super contributions.

TIP: If you've already given vaccination-related benefits or payments to your employees, it's likely the ATO will need to know. We can assist – contact us today.

Free mental health support for small business

The Federal Government has announced additional funding to extend the availability of free mental health support to small business owners dealing with the current pandemic and recent natural disasters.

The NewAccess for Small Business Owners Program, developed and provided by Beyond Blue, provides free, confidential, one-on-one mental health support by phone or video call to small business owners, including sole traders. The coaches are former small business owners themselves, so they understand the unique challenges that small businesses face, including family and financial pressures.

The sessions use Low-intensity Cognitive Behavioural Therapy (LiCBT) work, tailored to your needs, to help you recognise the ways you think, act and feel, and to separate from unhelpful thoughts. You'll learn practical skills to manage stress and get back to feeling like yourself.

More information about the NewAccess for Small Business Owners program is available by calling 1300 945 301 or on the Beyond Blue website at www.beyondblue.org.au/newaccess-sbo.

The Small Business Debt Helpline is run by Financial Counselling Australia. It's a free service for small business owners in financial difficulty, and offers independent, confidential and impartial support to navigate issues including avoiding bankruptcy, negotiating payment plans, debt waivers, grant applications and insolvency.

The helpline's professional financial counsellors offer a listening ear and practical business advice. They don't sell anything or work on commission.

You can contact the Small Business Debt Helpline by calling 1800 413 828 or see the Small Business Debt website at https://sbdh.org.au/.

Changes to recovery loan scheme for small and medium enterprises

As a part of an economic package to help businesses recover from the impacts of the COVID-19 pandemic, the Federal Government provided low-cost credit to qualifying small and medium enterprises (SMEs) through the SME Recovery Loan Scheme. When it was first introduced, and until 31 December 2021, the government essentially guaranteed 80% of the loan amount. However, from 1 January 2022, as restrictions have eased, the government guarantee has been reduced from 80% of the loan amount to 50% of the loan amount. The eligibility conditions have also been slightly fine-tuned, with the scheme now due to end on 30 June 2022.

Eligible small and medium businesses with up to $250 million turnover can access up to $5 million in total from participating lenders.

Loans can be unsecured or secured and will generally be for terms of up to 10 years, with an optional repayment holiday period of up to 24 months. A loan can be used for a range of business purposes, including investment support or refinancing the pre-existing debt of an eligible borrower.

The maximum rate will be capped at around 7.5%, with flexibility for interest rates on variable rate loans to increase if market interest rates rise over time. Participating lenders can offer any suitable product to eligible businesses except for credit cards, charge cards, debit cards or business cards.

Need more money in retirement?

Retirees who own their own home and need more money in retirement can now access the Home Equity Access Scheme, run through Services Australia. The scheme was previously known as the Pensions Loans Scheme. Along with its new name, the scheme's fortnightly interest rate has been lowered to 3.95% per annum. To access the scheme, there's no need for you or your partner to be on the Age Pension, although certain other requirements need to be met, including being of at Age Pension age and owning real estate in Australia that can be used as security for the loan.

There are costs associated with starting and stopping the scheme – for example, Services Australia will place a charge or caveat on the property offered as security for the loan, and you'll need to pay the costs involved. These costs don't need to be paid upfront but can be added to the loan balance.

TIP: The scheme is flexible, which means you can stop receiving payments at any time and make repayments at any time, but regular repayments aren't required. Rather, you have the choice to wait to pay the loan, legal costs and accrued interest in full when you sell the property you've used as security.

Payments under the scheme will continue until you reach your maximum loan amount. This amount depends on your age, your partner's age (if you have one), and the market value of the property used as security. For example, for a single person aged 70 who has a home with a market value of $800,000, the maximum loan amount available under the scheme is $246,400.

Income protection insurance in super: beware of offsets

Insurance within super is usually the most cost-effective way for an individual to cover themselves in the event of a mishap. Most super funds typically offer three types of insurance for their members: life cover, total and permanent disability (TPD) and income protection insurance (or salary continuance cover).

Life cover (death cover) pays a lump sum or income stream to beneficiaries upon your death, or in the event of a terminal illness. TPD insurance pays you a benefit if you become seriously disabled and are unlikely to work again. Income protection insurance pays a regular income for a specified period, ranging from two years to five years, or up to a certain age, if you can't work due to temporary disability or illness.

Recently, the Australian Securities and Investments Commission (ASIC) reviewed the practices of five large super funds that provide default income protection insurance on an opt-out basis to their members, accounting for around 2 million MySuper member accounts.

Overall, ASIC found that most income protection insurance policies contain "offset" clauses, which mean that the insurance benefit is reduced or "offset" if you receive other kinds of income support. This is used as a way to reduce incentives for you to delay your return to work as a result of receiving more income while disabled than when working.

The review also found large variations between super funds in the types of income offset against income protection benefits.

ASIC found that trustees were not proactively giving members clear explanations about when insurance benefits would or would not be paid as a result of offsets. This information is obviously relevant when you're considering whether to opt out of default income protection insurance, and if you make an insurance claim.

ASIC's concern isn't that the offset clauses exist, but that relevant information to explain the clauses was not available in website communications or in welcome packs, and the clauses were only described in technical and legalistic language in insurance guides.

TIP: You can get more information on ASIC's MoneySmart website about what to look for when considering income protection insurance through super: see https://moneysmart.gov.au/how-life-insurance-works/income-protection-insurance.