Geraghty accountants

JUNE 2020 **NEWSLETTER** ISSUE 21

Geraghty Accountants

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In this Issue

WE

REFERRALS

Peter's Perspective

I write this introduction to our newsletter as we find the USA in turmoil. We in Australia can only hope that the American people can begin to solve their differences for the sake of themselves and for the rest of the world.

Australia's immediate future is still very much in the balance as we face the looming recession. We seemed to have faced COVID19 with a spirit of cooperation, and with restrictions being lifted over a controlled period of time, we face our economic challenges.

The Commonwealth JobKeeper, JobSeeker and other initiatives will only be short lived but we are here, at Geraghty Accountants, to assist you in anyway to make sure you avail yourselves of these programs.

Business health, employment health and retirement nest eggs have been affected by the economic shutdowns and hopefully over time these elements of our economy will recover.

We still have our obligations to submit tax returns, arrange audits, attend to company obligations and so on.

Many of you may be entitled to a larger refund than normal owing to your employment disruption, so you will be itching to lodge your return earlier than normal. Please remember that if you are relying on the ATO to have your details of employment, interest, dividends, health insurance, etc this will take the ATO some weeks from 30th June. So if you are reliant on the ATO for that, please consider holding off for a few weeks.

As you may have gathered, the Federal Government has not brought down a budget for 2020/21 so tax rates, etc have not changed. However, the Treasurer has made various announcements concerning many aspects of taxation involving deductions for working at home, asset write offs, to name but two.

In the body of the newsletter we have tried to cover all the relevant information to help you prepare for any end of financial matters you need to attend to, and to give some guidance for the new financial year. Please remember that the Treasurer will hand down the next budget in October.

Confidence is our best asset in these difficult times, I remain confident that this time will pass sooner than we anticipate.

Myself, Karyn, Susan and Brenden are here to assist you in any way we can. We look forward to hearing from you.

Cheers, Peter.

Due to the economic effects of the Covid-19 crisis, the Federal Treasurer has elected to defer this year's budget announcement until the 6th of October 2020. As a result, we do not have the normal budget announcements to run through with you. Instead we will provide an overview of the recently announced economic stimulus measures, and a recap of previously announced measures that are due to come into affect.

INDIVIDUALS

There are no changes to tax rates or income thresholds for 2020-21 income year. Currently the tax rates for the future year given below remain the same as announced in the 2019/2020 Federal Budget.

Personal income tax rates and thresholds					
2019/2020 to 2021/2022		**2022/2023 to 2023/2024**		**2024/2025 onwards**	
Tax Rate (%)	Income Range ($)	Tax Rate (%)	Income Range ($)	Tax Rate (%)	Income Range ($)
0	0 - 18,200	0	0 - 18,200	0	0 - 18,200
19	18,201 - 37,000	19	18,201 - **45,000**	19	18,201 - 45,000
32.5	37,001 - 90,000	32.5	**45,001 - 120,000**	**30**	45,001 - **200,000**
37	90,001 - 180,000	37	**120,001** - 180,000	37	**N/A**
45	180,001 +	45	180,001 +	45	**200,001 +**

The Low and Middle Income Tax Offset (LMITO) is available for the 2019–20, 2020–21 and 2021–22 income years and is in addition to the low income tax offset. The maximum LMITO of $1,080 is available to taxpayers earning between $48,000 and $90,000 per year. A partial offset is also available for taxpayers with a maximum income of $126,000.

The Low Income Tax Offset (LITO) will increase from $445 to $700 per year from 1 July 2022. The maximum offset is available to those with a taxable income of less than $37,000, and will cut out for those with an annual taxable income of greater than $66,667.

No More Payment Summaries

Annual Payment Summaries (or Group Certificates as many of us still call them) will no longer be issued by the majority of employers at the end of this financial year. With the introduction of the new Single Touch Payroll reporting system, these payment summaries are now obsolete as the ATO receives the information each time the employer processes their employees' pays.

We will be able to access this income information directly from the ATO when we prepare your 2020 tax returns. However, this will not be available until late July for some of our clients so please be patient with us while we wait for the ATO to make this information available.

ATO Scrutiny of Rental Properties Deductions

The ATO has advised they will be focusing more audit attention on rental properties this year. Specific areas they will be looking at include:

- You can only claim expenses when the property was genuinely available for rent. Claims cannot be made for any periods where you stayed in the property (ie holiday homes or weekend retreats).
- Capital works or improvements need to be depreciated and are not deductible repairs. Please provide details so we can help you make the correct tax claims.
- Travel claims to inspect your rental property can no longer be made.
- Interest deductions must be adjusted if cash is re-drawn from rental property loans for private expenses such as buying a new car, boat or just general living expenses.

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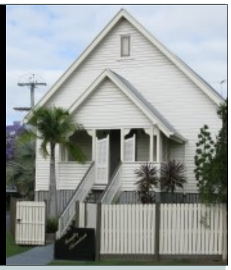


INDIVIDUALS - Continued

Home Office Expenses

The ATO have announced a temporary simplified shortcut method to make it easier for individual taxpayers to claim deductions for additional running expenses incurred whilst working from home due to COVID-19.

The new shortcut method will allow individuals to claim a deduction for all running expenses incurred during the period from 1 March 2020 to 30 June 2020, based on a rate of 80 cents for each hour an individual carries out genuine work duties from home. This is an alternative method to claiming home office running expenses under existing arrangements, which generally require an analysis of specific running expenses incurred and more onerous record-keeping.

The 80 cents per hour method is designed to cover **ALL** deductible running expenses associated with working from home and incurred from 1 March 2020 to 30 June 2020. This includes electricity expenses, cleaning costs, phone & internet expenses, computer consumables, stationery and depreciation of home office furniture &equipment.

This means that, under the 80 cents per hour method, separate claims cannot be made for any of the above running expenses (including depreciation of work-related furniture and equipment). As a result, using the 80 cents per hour method could result in a claim for running expenses being lower than a claim under existing arrangements (including the existing 52 cents per hour method for certain running expenses).

To be able to use the new 80 cents per hour method, the individual will be required to keep a record of the number of hours worked from home as a result of the Coronavirus, during the March to June period. This record can include time sheets, diary entries/notes or even rosters.

It should also be noted that there is no requirement to have a dedicated area at home set aside for working (e.g. a private study), and that multiple people living in the same house could claim under this method (e.g., a couple living together could each individually claim running expenses they have incurred while genuinely working from home, based on the 80 cents per hour method).

Home Office Expenses that were incurred before 1 March 2020 (and/or incurred from this date where an individual does not use the 80 cents per hour method) must be claimed using existing claim arrangements. Broadly, these existing claim arrangements require:

- an analysis of specific running expenses incurred as a result of working from home; and
- more onerous record-keeping (e.g., the requirement to provide receipts and similar documents for expenses being claimed, as well as the requirement to maintain a time usage diary or similar record to show how often a home work area was used during the year for work purposes).

We are recommending that you continue to keep all records and receipts relating to your time whilst working at home. Although this 80 cents/hour will be easy to use, it may not always give you the biggest tax deduction!

BUSINESS

Even though we have not seen a Federal Budget announced this year, there has still been a number of new tax related measures announced due to the Covid-19 pandemic. Most of our business clients will no doubt already be very familiar with these, so we will not go into great detail here. As always, if you have any questions or need more information, please let us know.

Instant Asset Write-Off (IAWO)
The instant asset write-off threshold of $30,000 was increased to $150,000 by the Federal Government, as part of its economic response to the Covid-19 crisis. These changes apply from 12 March 2020 for new or second-hand assets first used or installed ready for use by eligible business entities. This increased threshold will now continue until 31 December 2020. After this the threshold will reduce to only $1,000.

Instant Asset Write Off - Dates and Thresholds		
	Turnover Thresholds	**Instant Asset Write-Off Threshold**
1 July 2019 to 12 March 2020	$50 million	< $30,000
12 March 2020 to 31 December 2020	$500 million	< $150,000
1 January 2021 onwards	$50 million	< $1,000

Business Investment Incentive
The Government is also offering an incentive for asset purchases costing more than the IAWO thresholds shown above. Eligible businesses with a turnover of less than $500 million will be able to claim a deduction of 50 per cent of the cost of an eligible asset on installation, with existing depreciation rules applying to the balance of the asset's cost.

Eligible assets are new assets that would normally be depreciated under Division 40 of the *Income Tax Assessment Act 1997* (i.e. plant, equipment and specified intangible assets, such as patents) acquired after announcement and first used or installed by 30 June 2021. It does not apply to second-hand Division 40 assets, or buildings and other capital works depreciable under Division 43.

Cash Flow Boost
Small and medium-sized businesses (and not-for-profit entities), with an annual turnover of less than $50 million, may be eligible to receive a payment of up to $100,000 (with a minimum total payment of $20,000). These payments will be available to businesses with employees and is calculated based on their PAYG withholding obligations. Eligible businesses should already be receiving these credits when they submit Business Activity Statements (BAS).

JobKeeper Scheme
The Government has introduced the JobKeeper scheme to assist eligible employers (and self-employed individuals) who have been impacted by the Coronavirus pandemic. The intent of the scheme was to enable employers to continue to pay their workers, rather than laying them off.

Eligible businesses can claim a subsidy of $1,500 per fortnight, per eligible employee or business participant, for a maximum period of six months, ending in September 2020.

To be eligible, the business must have suffered a decline in turnover of more than 30% compared to a similar period (of at least a month) from last year.

It is important to note that if you have not yet enrolled in the scheme, because you were not previously eligible in April or May, you are still able to enroll in future months if you meet the decline in turnover tests for those months. If you find that your business income is just starting to decline now, and you are not already enrolled in JobKeeper, please contact us to discuss your options.

BUSINESS - Continued

Single Touch Payroll End of Year Procedures

Most businesses with employees are now using Single Touch Payroll (STP) enabled software to prepare their employee's wages. One benefit of this system is that the employer no longer needs to prepare the annual PAYG Payment Summaries (aka. Group Certificates) and distribute these to their employees. The employer does however complete a final step at the end of the year to finalise the STP process.

After the last pay run in June, you will need to complete a STP Finalisation Declaration for your employee's full year payroll information. This involves checking the payroll totals for each employee then submitting the declaration to the ATO via your payroll software.

Once the ATO has received the STP Finalisation Declaration from the employer, they will mark the employees' Income Statements as finalised on their system. Once the Income Statements are marked as finalised, the employees can then access them through MyGov (or their accountant) and begin the process of lodging their own tax returns.

For the 2019-2020 financial year:
- employers with 20 or more employees will have until **14 July 2020** to submit the declaration
- employers with 19 or fewer employees will have until **31 July 2020** to submit the declaration

Taxable Payments Reporting System

Under the taxable payments reporting system (TPRS), some businesses need to report the total payments they make to contractors for providing certain services on their behalf. These contractor payments need to be reported to the ATO in a Taxable Payments Annual Report (TPAR) by **28 August** each year.

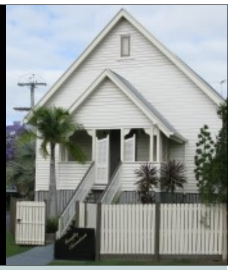
The Taxable payments reporting system (TPRS) applies to businesses in the following industries:

From 1 July 2012	From 1 July 2018	From 1 July 2019
Building & Construction	Courier Services	Road Freight Transport
	Cleaning Services	Information Technology
		Security, Investigation or Surveillance Services

Company Tax Rates

The company tax rate for small business "base rate entities" will be further reduced to 26% from 1 July 2020. A base rate entity is a company with a turnover below the relevant threshold and that has passive income totalling less than 80% of its total income. Income from passive sources includes things like dividends received, rental income and interest income.

Income year	Aggregated turnover threshold	Tax rate for base rate entities under the threshold	Tax rate for all other companies
2019–20	$50m	27.50%	30.00%
2020–21	$50m	26.00%	30.00%
2021–22	$50m	25.00%	30.00%



SUPERANNUATION

Early release of super

As part of the economic support package, the Government will allow eligible individuals affected by the coronavirus to access up to $10,000 of their super in 2019-20 and a further $10,000 in 2020-21. Individuals will not need to pay tax on amounts released and withdrawals will not affect Centrelink or Veterans' Affairs payments.

To be eligible, you must be eligible to receive a JobSeeker payment, youth allowance for jobseekers, parenting payment, special benefit or farm household allowance - **OR** - On or after 1 January 2020, either you were made redundant, your working hours were reduced by 20% or more, or if you are a sole trader, your business was suspended or there was a reduction in your turnover of 20% or more.

Reduction in Minimum Pension Amounts

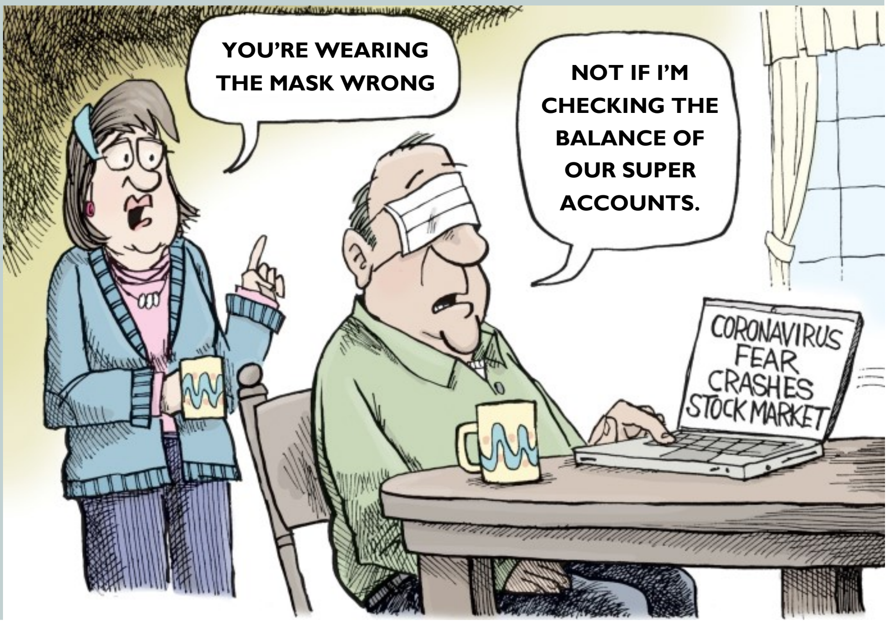
The Government is also temporarily reducing superannuation minimum drawdown rates for account-based pensions and Transition to Retirement Income Streams. For the 2019/20 and 2020/21 income years the minimum pension factors will be reduced by 50%

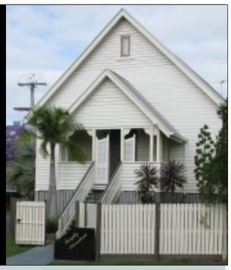
Age of member at beginning of year	Minimum Pension Percentage	
	Standard minimum percentages	Reduced minimum percentages
Under 65	4.0%	2.0%
65 to 74	5.00%	2.5%
75 to 79	6.0%	3.0%
80 to 84	7.00%	3.5%
85 to 89	9.00%	4.5%
90 to 94	11.00%	5.5%
Over 95	14.0%	7.0%

Deductions for Personal Contributions to Superannuation

To be entitled to claim a deduction for personal contributions to a superannuation fund, an individual must first notify their superannuation fund of their intent to claim a tax deduction. This notice must be given before the tax return for that year is submitted, or the 30th of June of the following year (whichever comes first). The purpose of this notice requirement is so that the superannuation fund knows how to treat the contributions in their records. It also ensures that the fund pays contributions tax (at 15%) on any contributions for which a tax deduction is being claimed.

The Government and the ATO have become increasingly concerned about the risk of more individuals not complying with the above 'notice of intent' requirements. In this regard, the ATO had previously already made changes to the information requiring you to indicate in the tax return whether you have given notice of intent to your superannuation fund and these changes will continue to apply. In addition, the ATO has more recently advised that it will be increasing its data matching and verification of claims to prevent any non-compliance.





Tables

Eligibility for the Superannuation Co-Contribution Scheme - 2019/2020

	If your personal super contribution is:				
	$1,000	$800	$600	$400	$200
And your income is:	**Your Super Co-Contribution will be:**				
$38,564 or less	$500	$400	$300	$200	$100
$40,064	$421	$400	$300	$200	$100
$41,564	$371	$400	$300	$200	$100
$43,064	$321	$321	$300	$200	$100
$44,564	$271	$271	$300	$200	$100
$46,064	$221	$221	$221	$200	$100
$47,564	$171	$171	$171	$200	$100
$49,064	$121	$121	$121	$121	$100
$50,564	$71	$71	$71	$71	$100
$52,064	$21	$21	$21	$21	$21
$53,564	-$29	-$29	-$29	-$29	$0

IS YOUR CAR LOG BOOK UP TO DATE?

IF YOUR USAGE HAS CHANGED OR THE BOOK IS MORE THAN 5 YEARS OLD YOU NEED TO DO ANOTHER ONE.

Private Health Insurance Rebate & Medicare Levy Surcharge Thresholds

Tier	Income Thresholds from 1 April 2019 to 31 March 2021*	Private health insurance rebate			Medicare Levy Surcharge #
		Under 65	Age 65-69	Age 70+	
No tier	**Singles**: $0 - $90,000 **Families**: $0 - $180,000 *	25.059%	29.236%	33.413%	nil
1	**Singles**: $90,001 - $105,000 **Families**: $180,001 - $210,000 *	16.706%	20.883%	25.059%	1%
2	**Singles**: $105,001 - $140,000 **Families**:$210,001 - $280,000 *	8.352%	12.529%	16.706%	1.25%
3	**Singles**:$140,001+ **Families**: $280,001+ *	0%	0%	0%	1.5

* The income thresholds are indexed and will remain the same to 30 June 2021

Family income thresholds increase by $1500 for each dependent child after the first.

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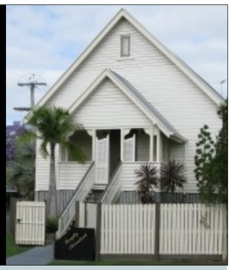

End of Year Checklist

Small Business Taxpayers (Turnover less than $10 million for 2019/2020)

- Defer invoicing until after 30 June, where possible;
- Incur business expenses before 30 June. These expenses do not need to have been paid before 30 June, only incurred (eg. repairs);
- Purchase additional office or workshop consumables (eg. stationery) before 30 June. However to avoid apportionment rules do not purchase more goods than can be used in three months;
- Consider purchasing depreciating assets and software which cost less than $150,000 each (excluding GST), as an outright tax deduction is available for these items, where they are ready for use prior to 30 June;
- Prepay expenses for up to 12 months in advance. But note, the period covered by the prepayment must end during the next financial year. Examples of items to prepay include rent, lease payments, interest, travel, training courses, subscriptions and insurance;
- Ensure that all superannuation contributions have been received by the relevant fund before 30 June.

Other Business Taxpayers

- Defer invoicing until after 30 June, where possible;
- Incur business expenses before 30 June. These expenses do not need to have been paid before 30 June, only incurred (eg. repairs);
- Purchase additional office or workshop consumables (eg. stationery) before 30 June. However to avoid apportionment rules do not purchase more goods than can be used in three months;
- Medium size business (turnover under $500 million) should consider purchasing depreciating assets and software which cost less than $150,000 each (excluding GST), as an outright tax deduction is available for these items, where they are ready for use prior to 30 June;
- Where *low value pooling* is used for depreciating assets, consider purchasing depreciating assets costing less than $1,000 (excluding GST) before 30 June as 6 months depreciation is available in the year the asset is purchased irrespective of the date of purchase;
- Avoid prepayment of expenses which exceed $1,000 (excluding GST). Prepayment of these expenses are not deductible in the year incurred and must be apportioned over the time period to which they relate;
- Ensure that all superannuation contributions have been received by the relevant fund before 30 June.

Services We Provide:

▪Accounting ▪Auditing ▪Taxation ▪Preparation of Budgets and Cash Flow Projections

▪Financial Planning ▪Self Managed Superannuation Funds ▪General Business Advice

▪Registered SMSF Auditors

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