Geraghty accountants

MAY 2021 | NEWSLETTER | ISSUE 23

Geraghty Accountants

PO Box 584
Clayfield QLD 4011

223 Bonney Avenue
Clayfield QLD 4011

P: 07 3256 2544
F: 07 3256 1546
W: geraghtyaccountants.com.au

In this Issue

WE

REFERRALS

Peter's Perspective

Josh Frydenberg has delivered his second Covid Budget within seven months. The aim of this budget is to reduce the welfare outlays by endeavoring to create full employment, which could be around 3.75% unemployment. Together with some further tax concessions to employees and employers, this will further stimulate the economy to strive to achieve full employment.

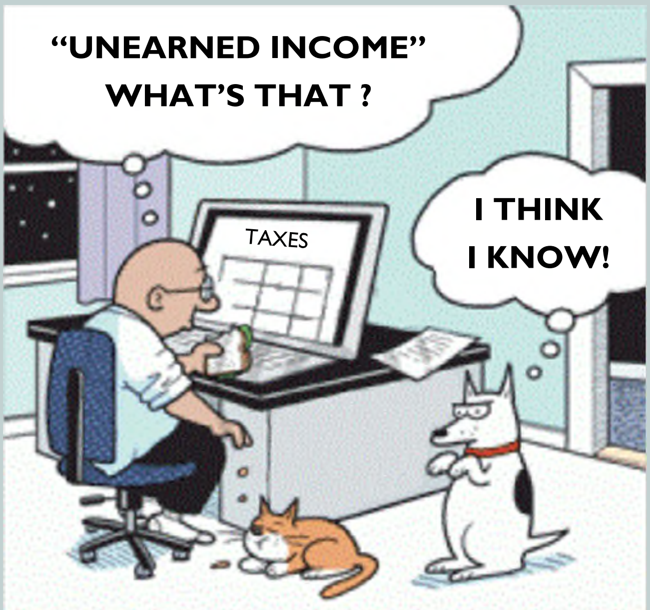
In the 50's and 60's unemployment was about 3%, and the massive influx of post war immigration was in full swing. We have little or no immigration at present, so the economy will behave in a way not seen before.

There are changes to superannuation, business deductions, taxation rebates, etc. Please read the newsletter carefully and if you have any questions please contact any of us at Geraghty Accountants, I am sure we will be able to assist you.

We have always cherished our relationships with all our clients and we sincerely thank you for your continued support.

I believe in the words of Hippocrates, who said: "Make a habit of two things: to help; or at least to do no harm".

Cheers, Peter.



This year's budget was back in its original timeslot of the second Tuesday in May. This might very well be the last budget before the next federal election, so many commentators were correctly predicting a few "sweeteners" to keep voters happy.

Below is a summary of the budget announcements. As always, we remind you that none of these proposals will become official until passed through parliament.

INDIVIDUALS

There are no proposed changes to the individual tax rates in this budget. The rates as announced in last year's budget remain the same and are as follows:

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

The Treasurer did however announce the extension of the Low to Middle Income Tax Offset (LMITO) for a further 12 months. This was originally meant to end in June 2021, but will now continue through until June 2022.

Taxable income	**LMITO Offset Available**
$37,000 or less	$255
Between $37,001 and $48,000	$255 plus 7.5 cents for every dollar above $37,000, up to a maximum of $1,080
Between $48,001 and $90,000	$1,080
Between $90,001 and $126,000	$1,080 minus 3 cents for every dollar of the amount above $90,000

The Budget also includes changes to the Child Care Subsidy (CCS), which aim to make childcare more affordable and boost workforce participation. The CCS Rate will increase by 30 percentage points for the second and subsequent children who are aged under five and in childcare. The CCS annual cap, of $10,560 per child per year, will also be removed. Both of these changes are scheduled to take effect from 1 July 2022.

The final significant announcement for individuals is the removal of the rule for self education expenses where you could not claim a deduction for the first $250 of expenses incurred. Once this legislation is passed, tax payers will be able to claim every dollar of self education costs, if the costs are sufficiently linked to them earning their income.

BUSINESS

Temporary Full Expensing measures extended

The Government will extend for a further 12 months the rule that allows eligible businesses to claim an immediate tax deduction for assets costing less than $150,000. Businesses with aggregated annual turnover of less than $5 billion will be able to deduct the full cost of eligible capital assets acquired from 7:30pm AEDT on 6 October 2020 and first used or installed by 30 June 2023 (previously June 2022)

Full expensing in the year of first use will apply to new depreciable assets and the cost of improvements to existing eligible assets. For small and medium sized businesses (ie those with aggregated annual turnover of less than $50 million), full expensing will also apply to second-hand assets.

Businesses with aggregated annual turnover between $50 million and $500 million can still deduct the full cost of eligible second-hand assets costing less than $150,000 that are purchased by 31 December 2020 under the current instant asset write-off rules. Businesses that hold assets eligible for the $150,000 instant asset write-off will have an extra 6 months, ie until 30 June 2021, to first use or install such assets.

Small businesses (with aggregated annual turnover of less than $10 million) can also deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies.

Loss Carry-back for Companies also extended

Corporate tax entities, with an aggregated turnover of less than $5 billion, will be allowed to carry back tax losses from the 2019-20, 2020-21, 2021-22 or 2022-23 income years to offset previously taxed profits in 2018-19 or later income years. This will generate a refundable tax offset in the year in which the loss is made.

The tax refund will be limited by requiring that the amount or carried back to not exceed the earlier taxed profits and to not generate a franking account deficit. The tax refund will be available on election by eligible businesses when they lodge their 2020-21 and 2021-22 tax returns. Companies that do not elect to carry back losses under this measure can carry losses forward as normal.

Please note that this only relates to businesses that trade directly through a company. A trust with a company acting as trustee will not benefit from these proposed changes.

Tax Treatment of Certain Storm and Flood Grants

The Government will provide an income tax exemption for qualifying grants made to primary producers and small businesses affected by the storms and floods in Australia.

Qualifying grants are Category D grants provided under the *Disaster Recovery Funding Arrangements 2018,* where those grants relate to the storms and floods in Australia that occurred due to rainfall events between 19 February 2021 and 31 March 2021. These include small business recovery grants of up to $50,000 and primary producer recovery grants of up to $75,000. The grants will be made non-assessable non-exempt income for tax purposes.

Self-assessment of effective lives for intangibles

The Government will amend the income tax laws to allow business taxpayers to self-assess the tax effective lives of eligible intangible depreciating assets. This includes things such as patents, registered designs, copyrights and in-house software. Currently, these intangible assets can only be depreciated using prescribed rates.

This will apply to assets acquired from 1 July 2023, following the completion of the temporary full expensing regime. Taxpayers will continue to have the option of applying the existing statutory effective life to depreciate these assets.

Geraghty accountants

NEWSLETTER
MAY 2021

SUPERANNUATION

Downsizer contributions

Downsizer contributions allow people aged 65 or older the ability to make a one-off contribution to superannuation of up to $300,000 from the sale proceeds from an eligible dwelling. This initiative has been popular with many older Australians looking to prop up their diminishing superannuation when they sell their home, either to downsize, move in with family, relocate to a retirement village, or enter residential aged care.

In the Budget, the government announced they will reduce the age at which downsizer contributions can be made from 65 to 60. This change is expected to take effect from 1 July 2022.

Work test

When a person aged between 67 and 75 wishes to make a voluntary contribution to superannuation, they must meet a work test. That is, they must be gainfully employed or self-employed for a minimum period of 40 hours, worked within 30 consecutive days, in the financial year in which they plan to contribute.

Expected to apply from 1 July 2022, the work test for people aged 67 to 75 will be abolished, allowing many more Australians to top up their superannuation in later years.

First Home Super Saver Scheme

This scheme, first introduced in 2017, allows first-time homeowners to access voluntary contribution made to superannuation for the purpose of purchasing a first home. The maximum amount that can currently be released under the Scheme is $30,000, plus associated earnings. The maximum withdrawal is to be increased to $50,000, plus earnings. This is expected to apply from 1 July 2022.

Superannuation guarantee

The government intends to abolish the $450 per month minimum income threshold for superannuation guarantee payments. This is expected to take effect from 1 July 2022.

Self-managed super funds – residency

The Central Management and Control test safe harbour is to be extended from 2 years to 5 years and the active member test is to be removed, making it easier for members of SMSFs temporarily absent from Australia to continue to make contributions during their time overseas. These changes will apply from the start of the financial year following that in which the amending legislation receives Royal Assent – expected to be 1 July 2022.

Access to Lump Sums under Pension Loan Scheme (PLS)

The PLS is a voluntary, reverse mortgage style loan provided by the government. It is designed to assist older Australians to boost their retirement income by unlocking equity in their Australian property. Through the PLS, people can receive regular fortnightly payments, with these payments accruing as a debt secured against their property.

A new option is to receive up to two lump sums of up to 50% of the Age Pension in a 12 month period. The maximum lump sum amount will depend on whether the individual is single or a member of a couple.

Geraghty accountants
NEWSLETTER
MAY 2021

End of Year Checklist

Small Business Taxpayers (Turnover less than $10 million for 2020/2021)

- 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;
- Businesses with a turnover under $5 billion 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;
- 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

WE ❤ REFERRALS

For copies of this newsletter and our previous newsletters, visit us online at www.geraghtyaccountants.com.au