The Bottom Line NEWSLETTER
Autumn 2021 - Issue No. 90
elphinstone stevens pty ltd

Tax Planning

Has your business had a profitable year? It may be wise to contact us regarding tax planning opportunities prior to June 30 to legally reduce the amount of tax you have to pay. The ways in which you can do this will largely depend upon whether your business is eligible for the Small Business Tax Concessions (turnover less than $50 million excluding GST).

Listed below are some suggestions on how to minimise your income tax. We strongly recommend you contact our office first, to discuss your particular situation.

To defer income, businesses can postpone customer invoicing until after 30 June. Businesses not claiming the small business concessions may also defer asset (plant) sales until after 30 June.

Purchase eligible plant that can be deducted under the new temporary full expensing of assets rules. Please be aware Motor Vehicle Cost limit applies and this doesnt generally extending to buildings.

If your business is eligible for the Small Business Tax Concessions you may also consider:

- If you are using depreciation pooling, please be aware that your pool balance muct be deducted in full in the 2021 financial year if you have any remaining balance
- Prepay expenses likely to be incurred over coming months (up to 12 months).
- If you are leasing equipment up to 12 months of lease instalments can be paid prior to 30 June and claimed as a deduction.

All businesses should review their debtors and write off any bad debts before 30 June 2021. You should also consider making donations to Deductable Gift Recipient (DGR) prior to 30 June in order to claim as a tax deduction.

If you are a Primary Producer, the following may also apply:

- An individual may use Farm Management Deposits (FMDs) – a particular bank account where you deposit minimum of $1,000, maximum $800,000. You are able to claim a deduction for the deposit, provided you meet other eligibility criteria (ie. Non-Primary Production Income less than $100,000 is one of these). The funds must be invested for at least 12 months. The withdrawal will then be treated as assessable income in the year withdrawn.
- Build/Buy water conservation assets (ie. dams, tanks, irrigation channels pumps etc.) – An immediate deduction is available.
- Construct fodder storage assets – An immediate deduction is available (this includes barns & silos used to store grain).
- Renew fencing. Fencing costs including new fences can also be immediately deducted.

If cash flow allows, anyone in business may wish to bring forward repairs or major services required.

If cash flow allows, individuals may claim a tax deduction for personal superannuation contributions. Please be aware, any contributions deducted will be taxed at 15% within the fund and the maximum concessional contribution is generally $25,000. There are other rules surrounding this also.

It is important to note, bringing forward tax deductions or deferring income to a later year will of course affect the next year; which may have an adverse effect if you defer too much to the following year. To determine the most tax effective strategy, it is best you speak to us and we can assist in determining your estimated 2021 taxable income and hence estimated tax.

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Please Remember

By necessity the contents of this newsletter are summary only. Clients should contact us on 6431 3933 to discuss matters prior to acting.

Super Contribution Caps will Increase from 1 July 2021

From 1 July 2021, the superannuation concessional and non-concessional contribution caps will be indexed. The new caps will be:

Year	Concessional Cap	Non-Concessional Cap
2021-22	$27,500	$110,000 or $330,000 over 3 years

The total superannuation balance limit that determines if an individual has a non-concessional contributions cap of nil will also increase from $1.6 to $1.7 million, effective from 1 July 2021.

Federal Budget

On Tuesday the 11th May, Treasurer Josh Frydenberg delivered the 2021-22 Federal Budget, detailing how the Government plans to continue encouraging business investment and spending as Australia recovers from the COVID-19 pandemic.

In what's potentially its final Budget before the next Federal Election, the Government announced $94.7 billion of stimulus over four years. The focus remained on supporting the near-term economic recovery through significant spending on infrastructure and targeted support for industries that will continue to suffer as borders remain closed.

While it's fair to say there were some big spending measures, there wasn't significant proposed changes to tax, super or GST, although there is always some tweaking. The main announcements we believe that will affect our clients are as follows.

Temporary full expensing extension of eligible plant

In the prior year (2020/21) Federal Budget, the Government announced amendments to allow businesses with an aggregated turnover of less than $5 billion to access a new temporary full expensing of eligible depreciating assets until 30 June 2022. In this Federal Budget, the Government has announced temporary full expensing will be extended by 12 months to allow eligible businesses with aggregated annual turnover or total income of less than $5 billion to deduct the full cost of eligible depreciable assets of any value, acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023. All other elements of temporary full expensing will remain unchanged, including the alternative eligibility test based on total income, which will continue to be available to businesses. It is important to remember this only applies to eligible plant (excludes buildings and building improvements) and the Motor Vehicle Cost limit (currently $59,136) also applies in relation to motor vehicles.

Company Temporary Loss Carry Back

The temporary loss carry back extension that applies to companies will likewise be extended for 12 months to 30 June 2023.

Removing the $450 per month threshold for Superannuation Guarantee ('SG') eligibility

The Government will remove the current $450 per month minimum income threshold, under which employees do not have to be paid SG contributions by their employer. The measure will have effect from the start of the first income year after Royal Assent of the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

Removing the work test for voluntary contributions

The Government has announced it will allow individuals aged 67-74 years (inclusive) to make or receive non-concessional contributions (including under the bring-forward rule) and salary sacrifice contributions without meeting the work test, subject to existing contribution caps. Individuals aged 67-74 years (inclusive) will still have to meet the work test to make personal deductible contributions.

Retaining the Low and Middle Income Tax Offset (LIMTO) for the 2022 year

The Government has announced it will retain the LMITO for one more income year, so that it will still be available for the 2022 income year. Under current legislation, the LMITO was due to be removed from 1 July 2021. The LMITO is a non-refundable tax offset that provides tax relief for low and middle income taxpayers and is available in addition to the Low Income Tax Offset ('LITO'). The maximum offset is $1,080 which applies to taxpayers with incomes between $48,000 and $90,000.

Reducing compliance costs for individuals claiming self-education expense deductions

The Government will remove the exclusion of the first $250 of deductions for prescribed courses of education. Currently, the first $250 of a prescribed course of education expense is not tax deductible. Removing this $250 exclusion is expected to reduce compliance costs for individuals claiming self education expense deductions. This measure will have effect from the first income year after the date of Royal Assent of the enabling legislation.

ATO's Taxable Payments Reporting System Update

The ATO has confirmed that more than 60,000 businesses have not yet complied with lodgement requirements under the taxable payments reporting system ('TPRS') for 2019/20.

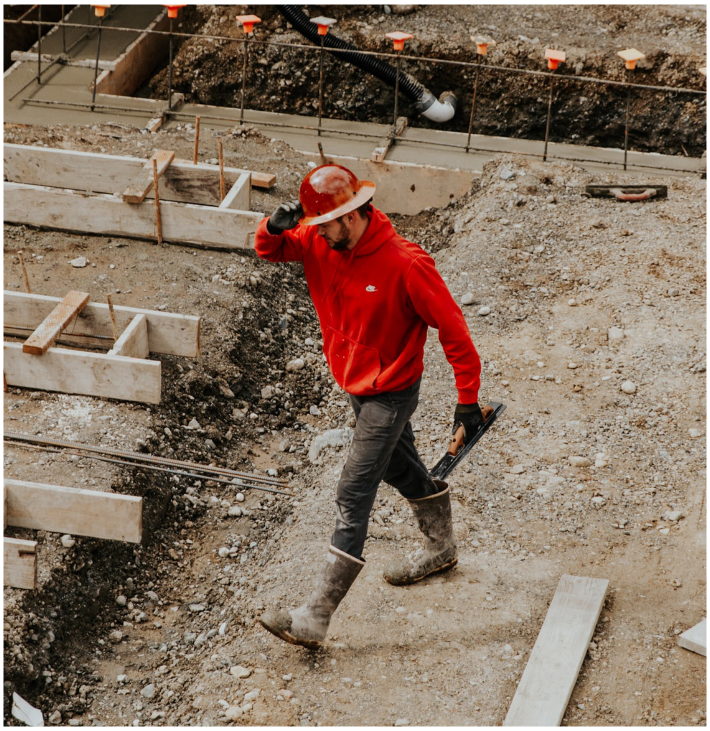
The TPRS is a black economy measure designed to assist the ATO to identify contractors who don't report or under-report their income. The ATO estimates that around 280,000 businesses need to lodge a Taxable Payments Annual Report ('TPAR') for the 2020 financial year.

Importantly, 2020 was the first year businesses that pay contractors to provide road freight, information technology, security, investigation, or surveillance services may need to lodge a TPAR with the ATO; in addition to those businesses providing building and construction, cleaning, or courier services.

Businesses who have not yet lodged need to lodge as soon as possible to avoid penalties.

CONTRACTOR VS EMPLOYEE

WHAT'S THE DIFFERENCE?



If you hire a worker, you must consider whether you are hiring them as an employee or engaging them as an independent contractor. The distinction is important as it affects your tax, super and other obligations. There are a number of factors which contribute to determining the difference between an employee and an independent contractor and each situation should be analysed on its own merits. The ATO provides an employee/contractor decision tool on their website to assist determining the basis of employment. Below are some factors to consider:

Indicator	Employee	Independant Contractor
Degree of control over how work is performed	Performs work, under the direction and control of their employer.	Has a high level of control in how the work is done.
Hours of work	Generally works standard or set hours (note: a casual employee's hours may vary from week to week)	Under agreement, decides what hours to work to complete the specific task.
Expectation of work	Usually has an ongoing expectation of work .	Usually engaged for a specific task.
Risk	Bears no financial risk (this is the responsibility of their employer).	Bears the risk for making a profit or loss on each task. Usually bears responsibility and liability for poor work or injury sustained while performing the task.
Tools and equipment	Tools and equipment are generally provided by the employer, or a tool allowance is provided.	Uses their own tools and equipment.
Method of payment	Paid regularly (for example, weekly/fortnightly/ monthly).	Has obtained an ABN and submits an invoice for work completed or is paid at the end of the contract or project.
Superannuation	Entitled to have superannuation contributions paid into a nominated superannuation fund by their employer.	Pays their own superannuation (note: in some circumstances independent contractors may be entitled to be paid superannuation contributions).
Tax	Has income tax deducted by their employer.	Pays their own tax and GST to the Australian Taxation Office.
Leave	Entitled to receive paid leave (for example, annual leave, personal/carer's' leave, long service leave) or receive a loading in lieu of leave entitlements in the case of casual employees.	Does not receive paid leave.

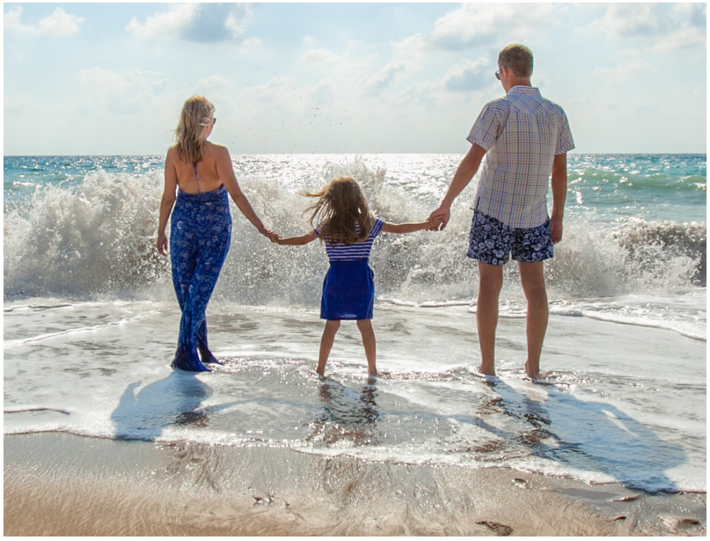
Cancellation of Inactive ABNs

If you have an ABN but haven't used it for a while the ATO may be in contact with you about cancelling it. You may also be contacted if your business situation has changed.

To ensure businesses don't miss out on Government support, including during unfortunate events, it's essential they regularly review their ABN details and keep them up to date; or cancel their ABN if the business is no longer operating, so that Government agencies can tailor their support to those that need it most.

It's also important to check that the business has listed the physical address of the business, as otherwise it can be difficult for emergency services and Government agencies to make contact.

A business' mailing address and physical location address can be listed separately on its ABN data, and these, and other ABN details, can be checked and updated online at any time via ABR.



Construction Industry Employers TasBuild Portable Long Service Leave

Do I need to Register with TasBuild
A legal requirement to make a contribution to the Fund arises when: An employer is engaged in the construction industry, and that employer employs a worker to carry out construction work in the construction industry. This is called relevant employment.

What is portable long service leave?
People who are employed in the construction industry can count broken employment services with different employers to establish a long service entitlement.

How does portable long service leave work?
Employers report service and make contributions to a central fund which is managed by Tasbuild. The rate to fund a worker's long service is approximately 2.5% of an ordinary weekly wage, including applicable allowances, thereby accruing 13 weeks after 10 years. Employers benefit from a reduction, if they lodge returns and pay contributions on time paying; 1.8% instead of 2.5% of an ordinary weekly wage.

4 Year Rule
Workers can be absent from the construction industry for a period up to 4 years without losing the service they have accrued.

When am I eligible as an employee?
An entitlement is based on recorded service and not calendar years. When workers accrue 2,600 days service, maximum of 260 working days per year, they have reached a long service entitlement. There are other pro-rata entitlements available under certain circumstances.

Who keeps a record of days worked?
TasBuild maintain a centralised data base with records of days accrued. Workers are encouraged to access their online account by registering with TasBuild.

For more information, whether you are an employer or an employee, you should contact Tasbuild on 03 6294 0807 or visit tasbuild.com.au.