The Bottom Line NEWSLETTER
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elphinstone stevens pty ltd

Small business technology investment boost and skills and training boost

The technology investment boost and skills and training boost for small businesses are now law. On 29 March 2022, as part of the 2022–23 Budget, the then government announced it would support small business through these new measures. The measures became law on 23 June 2023.

Small business technology investment boost

Small businesses (with an aggregated annual turnover of less than $50 million) can deduct an additional 20% of the expenditure incurred for the purposes of business digital operations or digitising its operations on business expenses and depreciating assets such as portable payment devices, cyber security systems or subscriptions to cloud based services. An annual $100,000 cap on expenditure will apply to each qualifying income year. Businesses can continue to deduct expenditure over $100,000 under existing law.

When the technology investment boost applies

This measure applies to expenditure incurred in the period commencing from 7:30 pm AEDT 29 March 2022 until 30 June 2023. An entity can claim the boost for expenditure on a depreciating asset only if the asset is first used, or installed ready for use, by 30 June 2023. The additional 20% deduction can be claimed in the 2023 tax return.

Eligibility

To access the small business technology investment boost, your business needs to be a small business entity. Your aggregated annual turnover must be less than $50 million for the income year in which you incur the expenditure. The expenditure must:

- already be deductible for your business under taxation law
- be incurred between 7:30 pm AEDT 29 March 2022 and 30 June 2023.
- If the expenditure is on a depreciating asset, the asset must be first used or installed ready for use for a taxable purpose by 30 June 2023.

What you can claim

Eligible expenditure may include, but is not limited to, business expenditure on:

- digital enabling items – computer and telecommunications hardware and equipment, software, internet costs, systems and services that form and facilitate the use of computer networks
- digital media and marketing – audio and visual content that can be created, accessed, stored or viewed on digital devices, including web page design
- e-commerce – goods or services supporting digitally ordered or platform-enabled online transactions, portable payment devices, digital inventory management, subscriptions to cloud-based services and advice on digital operations or digitising operations, such as advice about digital tools to support business continuity and growth
- cyber security – cyber security systems, backup management and monitoring services.

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Where the expense is partly for private purposes, the bonus deduction can only be applied to the business-related portion. If your business is registered for GST and the expenditure is not GST-free, the bonus deduction is calculated on the GST-exclusive amount plus any GST you cannot claim as a GST credit incurred in carrying on your business.

Small business skills and training boost

Small businesses (with an aggregated annual turnover of less than $50 million) will be able to deduct an additional 20% of expenditure that is incurred for the provision of eligible external training courses to their employees by registered providers in Australia. Businesses may continue to deduct expenditure that is ineligible for the bonus deduction in accordance with the existing tax law.

When the skills and training boost applies

This measure applies to expenditure incurred in the period commencing from 7:30 pm AEDT 29 March 2022 until 30 June 2024. The training can be provided to the employee either in-person or online and must be provided by a Registered Training Organisation (RTO).

Low and middle income tax offset (LMITO) ends

LMITO ended on 30 June 2022. The last year you can receive it is the 2021–22 income year.

LMITO is not available for the 2022–23 income year and later income years.

For the 2018–19 to 2021–22 income years, in addition to the LITO, you could receive the LMITO.

You receive LMITO if your taxable income is less than $126,000. You must also be an Australian resident for tax purposes. You will not receive it if your taxable income is $126,000 or more. We will work out your offsets and reduce your tax payable by this amount.

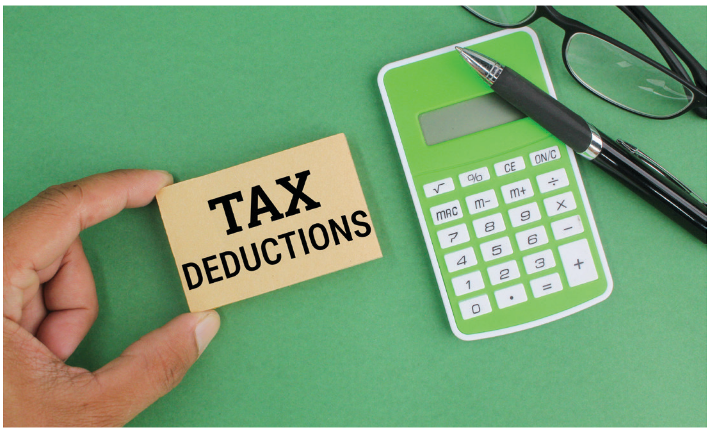
Depending upon your personal situation and taxable income, this reduced your tax by up to $1,500 in prior years.

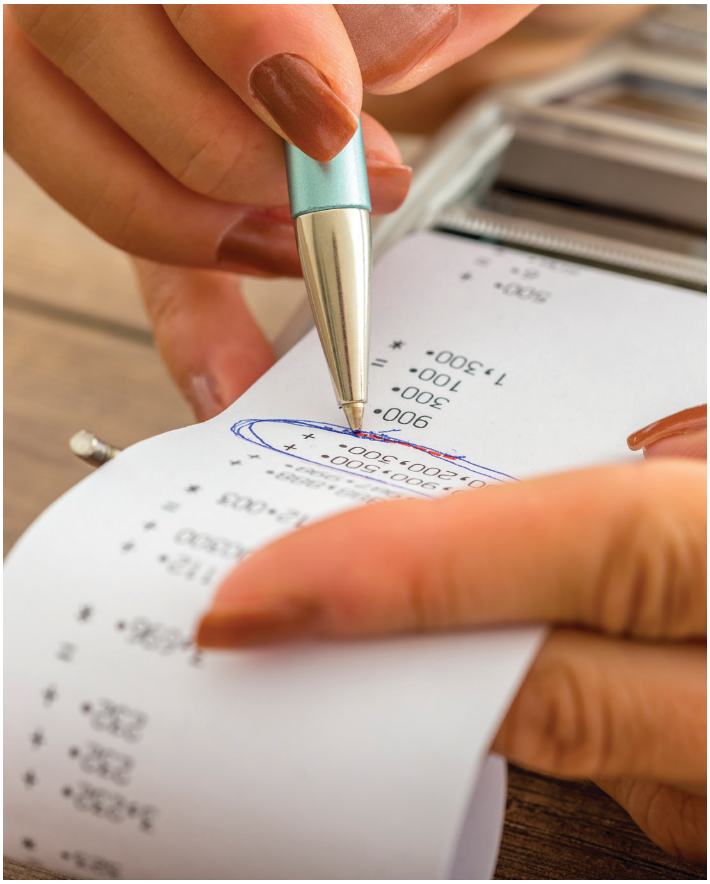
Changes to deductions this tax time

Cents-per-kilometre method – The cents-per-kilometre method for claiming car expenses increased from 72 cents to 78 cents per kilometre in the 2023 income year. For taxpayers using this method, the 78 cents per kilometre rate covers all their vehicle running expenses, including registration, fuel, servicing, insurance, and depreciation. Taxpayers using this method cannot claim these costs separately.

Car limit for business owners – The car limit has also increased to $64,741 for the 2023 income year. The maximum GST claim is $5,885 ($64,741/11). The car limit is the maximum value taxpayers can use to work out the depreciation of passenger vehicles (excluding motorcycles or similar vehicles) designed to carry a load of less than one tonne and fewer than nine passengers.

From 1/7/2023 the Car limit has increased to $68,108 and the maximum GST claim is $6,191 ($68,108/11)





Activity statements to have PAYG withholding pre-filled from July

Electronic activity statements accessed through ATO online services will have PAYG withholding information pre-filled from July 2023.

The ATO will use single touch payroll (STP) information to pre-fill activity statement PAYG withholding labels W1 (total gross salary or wages and other payments) and W2 (total amounts withheld from payments shown at W1). PAYG withholding pre-fill will also be made available to digital service providers, who will determine if and when they use this information in their products.

PAYG withholding pre-fill will be available to taxpayers that use ATO online services to lodge their activity statement for:

- monthly PAYG withholders, from the July 2023 activity statement
- quarterly PAYG withholders, from the Sept 2023 activity statement.
- The PAYG withholding pre-fill amount will reflect PAYG withholding reported to the ATO through STP. The payment date of an STP report will determine which activity statement the PAYG withholding amounts are assigned to.

Taxpayers should ensure amounts that are outside the scope of STP or voluntarily reported through STP are included in their activity statement reporting. PAYG withholding labels W3 (other amounts withheld) and W4 (amounts withheld where no ABN is quoted) will not be pre-filled, as amounts reported at these labels are outside the scope of STP reporting. The pre-filled amount also will not reflect any STP update events lodged, as update events only correct employee year-to-date amounts.

'Side hustles' in the ATO's sights

Editor: A recent ATO article highlights the fact that it is increasingly trying to bring more modern techniques of money-making into its tax net . . .

'Side hustles' have really grown over the past few years – everything from the gig economy and drop shippers, to content creators and influencers.

The ATO recognises that it can be hard to know how to treat income when earning money from side hustles, especially when an individual has several, so the ATO has prepared some tips.

First, the individual needs to know if they are 'in business'. If so, they may need to think about registration and tax obligations. If they are not in business, but are looking to start one, they should know how to 'set themselves up for success'.

Also, if a side hustle means the individual is now a director of a company, they must make sure they apply for a director ID (which is free).
Editor: Please contact our office if you require any assistance in relation to your 'side hustles'

Downsizer contribution measure eligibility has been extended

The downsizer contribution concession was introduced to allow older Australians selling an eligible dwelling to make additional contributions into their superannuation fund.

Broadly, the downsizer contribution concession allows eligible individuals to make non-deductible contributions of up to $300,000 (or up to $600,000 per couple) from the sale of an eligible dwelling that was used as their main residence.

The downsizer contribution concession is an attractive option for eligible individuals to boost their superannuation entitlements, as it is not counted towards an individual's standard contribution caps.

Also, the total superannuation balance restriction does not apply in respect of a downsizer contribution (so an eligible individual can make a downsizer contribution into their super fund, regardless of their total superannuation balance), and it is not included in the assessable income of the receiving fund.

However, there are various eligibility requirements that need to be satisfied in order for a downsizer contribution to be made, and professional advice should be sought in this regard as required.

Importantly, as from 1 January 2023, the Government has broadened access to the downsizer contribution concession by reducing the minimum age requirement for accessing this concession from age 60 to age 55. This means that individuals aged 55 to 59 years who were not previously eligible to make downsizer contributions due to their age are now eligible to make downsizer contributions if they satisfy all the eligibility requirements.

Minimum annual payments for super income streams

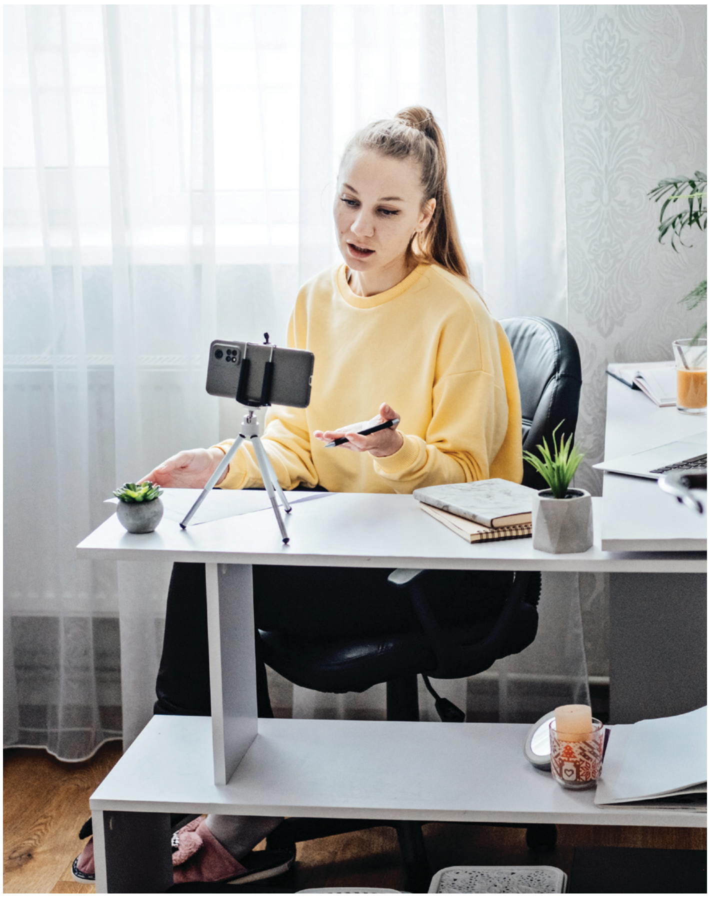
The ATO reminds taxpayers that an SMSF must pay a minimum amount each year to a member who is receiving a pension that commenced on or after 20 September 2007 (e.g., account based pensions). If the minimum payment is not made by 30 June, this can result in adverse taxation consequences for the member .

In response to COVID-19, the government temporarily reduced superannuation minimum drawdown requirements for account-based pensions and similar products by 50% for the 2020, 2021, 2022 and 2023 financial years.

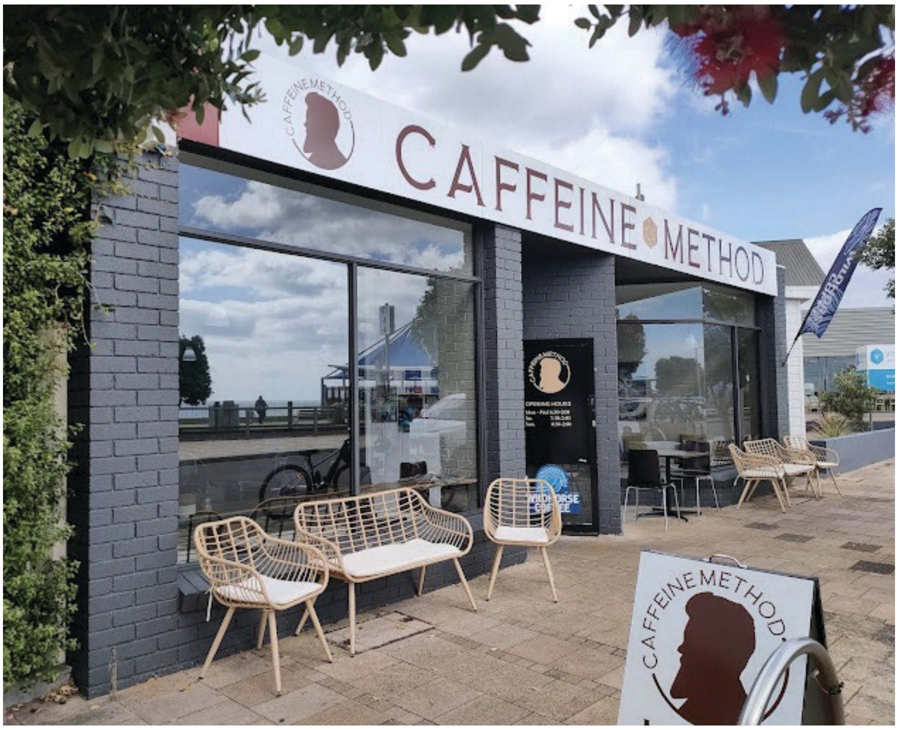
However, for the 2024 financial year, the 50% reduction in the minimum pension drawdown rate **will no longer apply.**

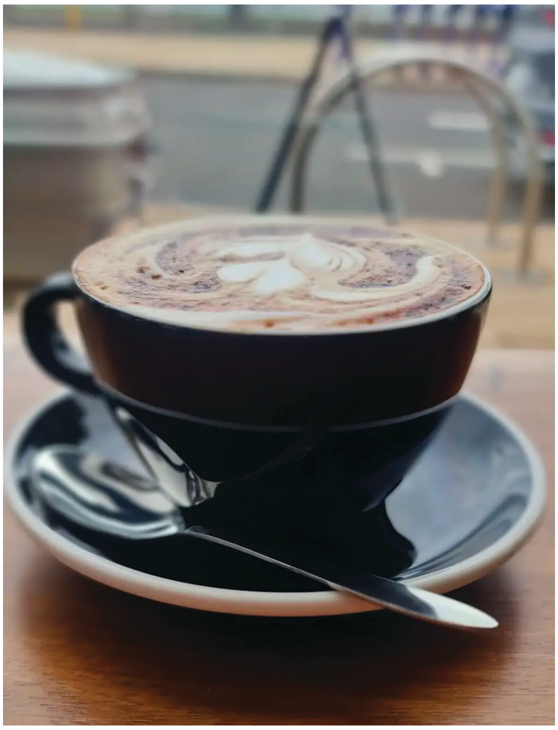
This means that, from 1 July 2023, when taxpayers calculate the minimum annual payment for their pension, the 50% reduction will not apply to the calculated minimum annual payment.

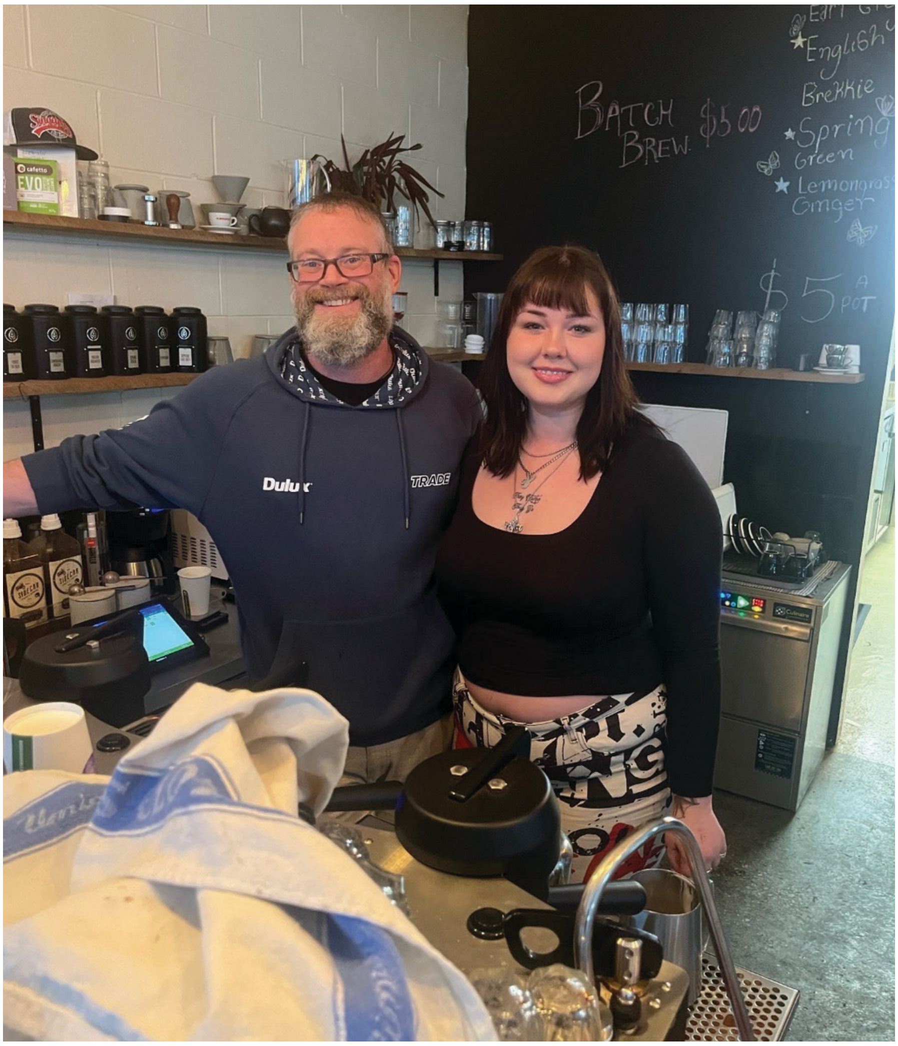
Editor: Contact our office if you require assistance in determining the minimum pension payment that must be made in the 2024 financial year.



Client Profile - Caffeine Method







"After many months of revamping the old Lesicester Cycle building along the Burnie Waterfront precinct, Caffeine Method opened its doors in May 2022. Now a vibrant and superbly located cafe with easy access, plentiful parking and gorgeous views over Bass Strait.

Owner Nathan Stott started brewing coffees in Burnie way back in 1999 and has worked in many cafes along the coast since then. The café uses Wildhorse Beans from a local roaster in Wynyard and offers a fine selection of delicious food from muffins and slices to toasties and savories all cooked on site. Initially operating on his own, Nathan now employs four friendly and welcoming staff offering exceptional service to customers to Dine-in or Takeaway".

The team at Elphinstone Stevens congratulates Caffeine Method on their thriving new business and highly recommend dropping in for a coffee and treat.

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.