ADAMS ACCOUNTING

CHARTERED ACCOUNTANTS/BUSINESS ADVISORS/TAXATION SPECIALISTS

Business Newsletter **June 2021**

Taxable payments reporting

Businesses in the building & construction industry as well as the **cleaning, courier & road freight, information technology and security industries** need to report the total payments they make to each contractor paid for services each year. The total payments will be recorded on the *Taxable payments annual report (TPAR).*

On the report, you will need to record the contractors ABN, name, address, **gross amount you paid for the financial year (incl. GST)** and the total GST included in the amount you paid.

This means that you will need to ensure the invoices you receive from your contractors contains all the above information.

You are not required to report on payments for materials only, but if you make a payment for labour and materials, you report on the whole amount unless the labour is incidental.

The *Taxable payments annual report* is **due for lodgement on 28 August 2021** for payments made in the 2020-2021 financial year.

The report can be completed on your business MyGov account, a paper copy collected from our office, or we can assist with lodging this TPAR for you.

Inside This Issue

Year-end tax planning tips

1. Defer receipts of income until after 30 June 2021
2. Accelerate deductions into the current year – this could mean buying plant/equipment items – see page 3
3. Scrap obsolete trading stock
4. Scrap obsolete items of plant & equipment – look at your depreciation schedule from last year and note the items you no longer have/use and provide with your other information
5. Write off bad debts – but you can still chase them
6. Defer sales of capital gains tax assets until after 30 June 2021.
7. Look at prepaying items such as loan interest, materials and other large bills before 30 June 2021 that will be consumed by your business in the new financial year (it is important to only prepay financially reliable suppliers).
8. Contribute an amount to your super fund – for details of the maximum you can contribute see our article below about concessional contribution caps.

Each taxpayer's circumstances are different and for this reason we suggest you contact us first before making any decisions.

Concessional superannuation (tax deductible) contributions cap

For the 2020/21 year, the concessional contributions cap is $25,000.

If you are over 65 years of age you need to meet a work test in order to make personal concessional contributions being that you have worked 40 hours in any thirty-day period during the year.

If you have a salary sacrifice agreement with your employer, make sure that you will not go over your appropriate cap in the 2020/21 year otherwise excess contributions will be included in your assessable income and taxed at your marginal tax rate.

Small Business Tax Offset rate increases

The small business income tax offset can reduce the tax you pay by up to $1,000 each year.

In 2020/2021, the rate of the offset has increased from 8% to 13%, with the rate set to rise again in 2021/2022 to 16%. This means that you will accumulate the $1,000 tax offset with a lower taxable income.

Income year	Aggregated turnover threshold	Rate of offset	Maximum offset
2019–20	$5m	8%	$1,000
2020–21	$5m	13%	$1,000
2021–22	$5m	16%	$1,000

Company Tax Rate Reduced

Since 2017–18 the company tax rate for base rate entities has been 27.5%. This rate has been reduced to 26% for the 2020–21 income year and will be reduced again in the 2021–22 income year to 25%.

Income year	Aggregated turnover threshold	Tax rate for base rate entities
2019–20	$25m	27.5%
2020–21	$50m	26%
2021–22	$50m	25%

Motor vehicle deduction – cents per kilometre rate increases

The cents per kilometre rate has increased from 68c in the 2019-2020 income year to 72c for 2020-2021. This will result in a $200 higher deduction for those who are eligible to claim the maximum 5,000kms.

Income year	Rate per kilometre	Maximum deduction amount (5,000kms)
2019-20	68c	$3,400
2020-21	72c	$3,600

Rate of Superannuation Guarantee increases from July 1st 2021

Employers will be **required to contribute 10%** as part of their superannuation guarantee obligations to employees from the 1st July 2021. This is an increase of 0.5% from the previous rate of 9.5%. The rate will continue to rise by 0.5% over the next 4 years until it reaches 12% by 2025.

Removing the $450 per month threshold for Superannuation Guarantee eligibility (pending legislation)

As part of the recent Budget 2021 announcements, it is proposed that Superannuation Guarantee payments will be required on all employee wages and not be subject to the current $450 per month minimum income threshold. **This proposed change will come into effect from July 1st 2022 if passed through legislation**

Catch up concessional contributions

Individuals who contributed less than $25,000 in concessional contributions in the previous 2 financial years can accumulate those unused amounts for use in future years. Unused cap amounts are available for a maximum of **five years.**

Example: if you made concessional contributions of $10,000 in the 2018/2019 year and $5,000 in the 2019/2020 year, $35,000 of unused contributions will be brought forward to the 2020/2021 year, allowing you to contribute up to $60,000 (2021's limit of $25,000 + the unused contributions)

***Note** – Individuals must have a super balance **less than $500,000** at the end of the previous financial year to be eligible for catch up concessional contributions.

Non-concessional (non- tax deductible) super contributions

Taxpayers can make up to $100,000 in non-concessional contribution to their superfund in 2020/21 year.

They can also access the 3 year $300,000 bring forward cap up until 30 June 2021.

BEFORE YOU MAKE A CONTRIBUTION CONTACT US TO VERIFY YOUR ELIGIBILITY.

Temporary full expensing - asset write-off limit now uncapped!

Eligible small businesses with an aggregated **turnover under $5 billion** can now immediately deduct the full value of the business portion of any asset purchased from 6th October 2020 through to 30th June 2022.

This deduction applies to each asset, whether new or second-hand. The deduction is claimed through the income tax return in the year the asset was purchased.

Small business pool uncapped write-off limit!

Small businesses (with aggregated turnover under $10 million) can deduct the entire balance of their small business pool at the end of the 2020/21 & 2021/22 income years under the Federal Budget announcements, potentially saving a considerable amount of tax!

Assets that were purchased prior to October 6th 2020 which don't qualify for temporary full expensing (see above article) can be instead added to the small business pool and be written-off as part of the small business pool balance write-off rules.

There is nothing you need to do, we will attend to this when we prepare your Income Tax Return.

Family Assistance claims

Families that chose to wait until the end of the financial year to claim their FTB entitlement or Child Care Benefit will **need to have your 2020 return lodged by the 30/06/2021** so that you can claim any Centrelink entitlements in time.

Car cost limit increased

The car cost limit applies to passenger vehicles (except a motorcycle or similar vehicle) designed to carry a load less than one tonne and fewer than 9 passengers. The limit caps the amount of depreciation and GST credits claimable on vehicle purchases.

The updated car limits for the next two years are:

- **$59,136 for the 2020–21 income year**
- **$60,733 for the 2021–22 income year.**

Vehicles that have greater than a one tonne carrying capacity (also known as the payload capacity) are not classified as a 'car' and therefore are not subject to the car cost limit rules. This means that the full value of the business portion of these vehicle can be depreciated and GST credits can be claimed.

Changes to Single Touch Payroll reporting from 1 July 2021

There are changes to Single Touch Payroll (STP) reporting for micro employers and for employers with closely held payees from 1st July 2021.

Micro employers (between 1-4 employees) will need to **lodge STP events each time you pay your employees rather than on a quarterly basis** (exemptions can apply under special circumstances).

Employers must report their closely held payees through STP from 1st July 2021. This can be done each pay day, monthly or quarterly. **Closely held payees include family members, directors or shareholders of a company, or beneficiaries of a trust.**

Payment Summaries now completed through Single Touch Payroll

Payment summaries for the 2020-21 year need to be met through STP procedures for most employers. Employers need to make an STP **finalisation declaration by 14th July 2021** to the ATO once annual payroll processing is complete. Your payroll information then becomes 'tax ready' for employees to complete their tax returns. Their payment summary will be available through their MyGov account.

Changes to casual employment

Recent amendments to the Fair Work Act 2009 change the workplace entitlements and obligations for casual employees.
The Fair Work Act has been amended to include a:

- Casual Employment Information Statement (CEIS)
- Definition of casual employment
- Pathway for casual employees to become full-time or part-time (permanent).

Small business employers need to give every new casual employee the CEIS before, or as soon as possible after, they start their new job. Employers also need to give their existing casual employees a copy of the CEIS as soon as possible after 27 March 2021. Please use the following link for a PDF version of the CEIS.

https://www.fairwork.gov.au/ArticleDocuments/724/casual-employment-information-statement.pdf.aspx

Superannuation Co-Contribution

The superannuation co-contribution has continued in the 2020-21 year with the maximum government co-contribution being $0.50 for every $1 personally contributed. The maximum co-contribution of $500 is available to taxpayers who earn less than $39,837 and contribute $1,000.

Above this income amount, the maximum co-contribution will be reduced by 3.333 cents for each dollar of income earned and to phase out completely when income reaches $54,837.

How much could I get?

Assessable income	Contribution required for co-contribution	Maximum super co-contribution
$39,837	1000	500
$39,837	600	300
$45,837	1000	300
$45,837	600	300

IMPORTANT NOTE:

If you believe you would be eligible for the Government Co-Contribution, make sure your contribution is made to your fund by 30 June.

Safe Tax

We are again offering our safe tax audit fee protection cover.

This small tax-deductible cost covers **all** types of audits that taxpayers can be subjected to, and provides you with the **peace of mind** that it will not cost you any extra in accounting fees to have us manage your audit.

History shows that the cost to prepare the required audit documentation can range anywhere from $1,000 to $5,000 plus, and this may be more depending on the complexity and type of audit involved.

The ATO have developed small business benchmarks for over 100 different small businesses which it uses to select businesses for audit.

It is to your advantage to take up Safe Tax as soon as possible. *Cover begins from the date of payment through to 30th June 2022*.

If you have taken Safe Tax cover before, we will be sending you an invoice for 2021/22 cover in June.

If you are interested in Safe Tax cover, please contact Trish at our office.

In addition to this, there are also several measures which you can take to minimise the risks and costs in the event of an audit.

These include:

- Keeping all work-related expense receipts in a secure place for five years.
- Remember to inform us if you own shares which have dividends that are reinvested under a dividend re-investment plan. These dividends are taxable as income.
- If you are claiming work related travel up to 5,000 kilometres, keep a written record of trips which you have undertaken

INCOME TAX RETURN & FINANCIAL STATEMENT PREPARATION CHECKLIST

Companies, Partnerships, Trusts and Sole Trader Businesses

INCOME:

- ☐ PAYG payment summaries *(group certificates) these should be provided to ATO by employer*
- ☐ Income from foreign sources *(inc. details or foreign taxes paid)*
- ☐ Rental property income (provide summary from agent)
- ☐ Dividends & trust distributions *(inc. details of franking credits)*
- ☐ Stock on hand $ valued at cost less GST *(note any obsolete stock)*
- ☐ Details of CGT assets *(e.g. shares & real estate)* sold, inc. dates and costs associated with acquisition and disposal

ASSETS:

- ☐ Bank statements for month of June
- ☐ Details of depreciable assets acquired and/or disposed of during this income year *(inc. type of asset, date of acquisition, consideration received/paid)*
- ☐ Debtors at June 30 (if you are not a small business entity)

LIABILITIES:

- ☐ New loans taken out during the year & their purpose *(inc. copy of new lease or mortgage agreements)*
- ☐ Statements from the lending authority detailing the opening and closing balances of existing loans during the financial year
- ☐ Creditors at June 30 (if you are not a small business entity)

DEDUCTIONS:

- ☐ Salaries, wages, including fringe benefits *(copy of PAYG annual summary sent to ATO)*
- ☐ Deductions relating to foreign-source income
- ☐ Donations of $2 and over
- ☐ Lease documents *(eg. motor vehicles, premises, equipment)*
- ☐ Superannuation contributions
- ☐ Subscriptions/memberships
- ☐ Car expenses *(maintain logbook, inc. petrol, repairs & parking)*
- ☐ Details of the purpose and destination of any interstate or overseas trip *(expenses must be fully documented where travel involves one night away, inc. travel diaries where travel exceeds 5 nights)*