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CLIENT NEWSLETTER - JUNE 2021

Dear Client,

This is an **IMPORTANT DOCUMENT**. It is **GENERAL (but not specific) TAX ADVICE** to existing Clients, being **OUR TIMELY ADVICE TO YOU** of Taxation Law as it now stands. **IT IS MOST IMPORTANT THAT EVERY CLIENT READS THIS NEWSLETTER.** If you do not **FULLY UNDERSTAND** any section that may be relevant to you, then please seek more information.

TAX RATES

There have been changes in the personal taxation rates and thresholds for 2020/21 as seen below. The combined **Medicare and NDIS Levy of 2.0%** needs to be added to the rates.

However, Medicare Levy is not payable by individuals with income under \$23,226, or \$36,705 for Seniors and Pensioners in 2020/21. **There is a higher income threshold before Medicare Levy applies to Sole Parents.**

Tax Thresholds for 2020/21		
Low Threshold	High Threshold	Tax Rate %
0	18,200	0
18,201	45,000	19
45,001	120,000	32.5
120,001	180,000	37
180,001 and above		45

The **Low Income Tax Offset** for this financial year is **\$700** for those with incomes of \$37,500 or below, with this benefit shading out to Nil at \$66,666.

The **Low and Middle Income Tax Offset (LAMITO)** of up to **\$1,080** was introduced in the 2019 year and has been retained for another Financial Year.

Low and Middle Income Tax Offset		
Low Threshold	High Threshold	Offset (\$)
0	37,000	Up to \$255
37,001	48,000	\$255 plus 7.5% of excess over \$37,000
48,001	90,000	\$1,080
90,001	125,999	\$1,080 minus 3% of excess over \$90,000
126,000+		Nil

Children under 18 can only earn \$416 Tax Free from "passive" income sources, such as interest or Trust distributions. **However, normal Tax Rates apply to income they might have earned from employment, as an "adult" or being self-employed.**

Foreign residents for Tax purposes pay a flat rate of 32.5% from \$0.00 to \$120,000 and 37% to \$180,000 and 45% over \$180,000. However, there is a **concessional rate of 10% Foreign Withholding Tax on interest earned, and Nil on franked dividends** received. NB. there can be variations to these rates where a Double Tax Agreement applies.

SENIOR AUSTRALIAN TAX RATES

We often get asked by those 65 and over as to the higher level of income they can earn before paying any tax. **Seniors and Pensioners can benefit from a Maximum Offset amount** per person of \$2,230 for Singles and \$1,602 each person for married/de facto couples. **The Offset is somewhat higher if a couple is separated due to illness.**

The application of this Offset means that **Single Seniors and Pensioners pay no tax if income is below \$32,279**. Each member of a marriage/de facto couple will pay no tax up to \$28,974. **The Offset starts to shade out above these threshold levels.**

SUPER CO-CONTRIBUTIONS – FREE MONEY AVAILABLE

The Super Co-Contribution Scheme is intended to **help low/middle income earners to boost their retirement savings**. To qualify for a Government contribution to your Super Fund of up to \$500 you need to make a voluntary after tax personal contribution to your Super Fund. (More information enclosed).

MINIMUM SUPER PENSION DRAWDOWN

The temporary 50% reduction in the minimum pension drawdown rate for eligible retirees has been extended for the 2021/22 financial year. (Please note that the Now&Next report was printed prior to this announcement).

MOTOR VEHICLE RATES FOR 2020/21

With effect from 1st July 2015, just the log book and the rate per kilometre methods are available for claiming motor vehicle expenses. There is now just one rate under the **simplified rate per kilometre method, 72 cents per kilometre**, regardless of the size of the motor in your vehicle.

If you have received a vehicle allowance from your employer at a higher rate than this, **the difference will effectively be assessable income**. Employers have been told by the ATO they should deduct tax from vehicle allowances in excess of 72 cents per kilometre, so as to ensure that taxpayers **don't get "caught" with not having enough tax deducted during the year.**

ZONE TAX OFFSET

The **Zone Tax Offset** is only available for those whose normal place of residence is inside the remote zones **i.e. no longer available for fly in/fly out workers.**

SMALL BUSINESS TAX INCENTIVES

For those who operate their business through a **Company, the tax rate has reduced to 26%**, applicable from 2020/21 onwards. Those who trade through a Family Trust, Partnership, or as a Sole Trader will be eligible for a **8% discount on tax payable on business income**, with the benefit capped at \$1,000 per person for each income year.

Primary Producers are still able to claim a full deduction for the cost of **new fencing and water facilities**. Further, the cost of any **fodder storage assets**, such as silos, will be able to be claimed as an immediate asset write-off. However, **stock yards are not included** in the accelerated write-off provisions.

Instant Asset Write-Off for Small Business Entities threshold has increased to \$150,000 for assets first used (or installed ready for use) from 12 March 2020 and will continue until 31 December 2020. From 6 October 2020 until 30 June 2022 temporary full expensing is allowed.

IMPORTANT: This is not legal advice. Clients should not act solely on the basis of the material contained in this Newsletter. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice should be sought before acting in any of these areas. The Newsletter is issued as a helpful guide to clients and for their private information. Therefore, it should be regarded confidentially and not made available to any person without our prior approval.

CHANGES TO HECS/HELP DEBT ARRANGEMENTS

From 1 January 2017, **there is no longer a discount available for paying a HECS/HELP debt** upfront, or making a voluntary payment. Further, **with effect from 1 July 2020**, the minimum threshold for repayments will be reduced to \$46,620, and the repayment rate increased to a maximum 10% applying when income reaches \$136,740.

Yet another change from 1 July 2017 is that those with a HELP or a Trade Support debt who are **non-residents for tax purposes** will be required to assess their total Australian and foreign income and make repayments based on that total income. As it is, **those with study debts who move overseas for six months or more are required to notify the ATO.**

HOME OFFICE, INTERNET, HOME AND MOBILE PHONE EXPENSES

To claim **expenses of running a home office** under the "actual method", ie claiming part of rates, insurance and interest or rent, the office has to be a "place of business". **There is a potential trap**, in that the portion of property used for business potentially will be subject to Capital Gains Tax on sale.

Alternatively, **it is administratively easier to claim the increased rate of 52 cents per hour** for home office running expenses, including utility costs such as heating/cooling and lighting. This higher rate takes into account depreciation that might otherwise be claimed for office furniture.

A new ATO information sheet sets out **how taxpayers can claim phone and internet expenses**. It revolves around keeping a four week diary, so you can apportion expenses between work and private use.

To claim a deduction of more than \$50, you need to keep records for a four week "representative period in each (and every) income year". The **records to be kept** include diary entries, bills and evidence that the employer expects them to either work at home and/or make work related calls, to calculate a **business use percentage** of total costs, on a reasonable basis.

Alternatively, for total claims of \$50 or less, then you can claim 25 cents for work calls from a landline; 75 cents from mobile phone and 10 cents for text messages.

Short Cut Method, you can claim 80 cents per hour while working from home.

RESTRICTING RENTAL PROPERTY DEDUCTIONS

For any investment properties purchased from Budget night 2017, we can no longer claim depreciation on any plant and equipment in "second hand" property purchased, such as stoves, heaters and the like.

The other big change is that **owners will no longer be able to claim travel expenses for purchasing, inspecting or maintaining a residential rental property**, effective since 1 July 2017.

WHEN IS A CONTRACTOR REALLY AN EMPLOYEE?

The ATO has issued a Fact Sheet on the common conundrum of **whether a person is an employee or a contractor**. It includes a number of myths that employers can often tend to believe. **Some of the myths include:**

- Having an ABN makes you a contractor.
- Assuming because other workers may be contractors, you will be too.
- A registered business name automatically means they are a contractor.
- Being a contractor for one job means being a contractor for all jobs.
- Submitting an invoice for the work, necessarily makes them a contractor.

One of the biggest issues is Superannuation and WorkCover. Any engagement that predominantly involves labour is likely to be subject to Super Guarantee requirements and WorkCover. **We recommend both employers/businesses and employees carefully check as to whether the worker is a genuine employee or contractor.**

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"You're made entirely from recycled materials,
so you qualify for a green energy tax credit."

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