

Dear Clients,

What an unusual 18 months it has been on so many different fronts. Thankfully, Budget 2021 didn't bring any additional surprises to complicate matters!

We provide a brief snapshot here of some things to consider as 30 June is fast approaching and hope that there is something that you can take away. We note that the information is general in nature and you should contact us to find out how it applies to your particular circumstances and/or if you have any questions.

Thank you for all your support during these turbulent times and we look forward to working with you again in the 2022 financial year.

Best Wishes & Kind Regards,

GSC Accountants Pty Ltd



BUDGET 2021

Only 7 months since our previous budget, here is a quick summary of Budget 2021.

- ✓ The Low & Middle Income Tax Offset will remain for another year until 30 June 2022. This will provide a tax offset of up to \$1,080 for those earning up to \$126,000. (Different rates apply at different income thresholds).
 - ✓ There has been a modernisation of the rules for determining individual tax residency. The primary test will now be contingent on the number of days actually spent in Australia. Those spending 183 days or more in Australia will pass this simple test.
 - ✓ The reduction of the first \$250 of self-education expenses has been removed.
 - ✓ Temporary fully expensing of assets for businesses with a turnover of less than \$5 billion has been extended to 30 June 2023.
 - ✓ Temporary loss carry-back provisions for companies has been extended to the 2023 financial year.
 - ✓ The work test is being removed for those aged 67 to 74 who wish to make voluntary contributions (non-concessional contributions) to their superannuation funds from 1 July 2022.
 - ✓ The age limit for the Downsizer contributions has been reduced from 65 to 60 from 1 July 2022.
 - ✓ The \$450 superannuation guarantee threshold will be removed from 1 July 2022.
 - ✓ The cessation of employment taxing point for tax-deferred Employee Share Schemes will be removed.
- As always, these changes are subject to the Government passing them into legislation.

POINTS TO NOTE FOR TAX SEASON 2021

Here is a refresher of things you should look out for as the new tax year approaches:

- We note for those clients that employ staff, the increase to the Superannuation Guarantee rate that commences from 1 July 2021. The new rate is 10%.
- Please conduct stock takes before 30 June, 2021 to ensure that you are carrying correct stock values.
- Please review your debtors and advise of any bad debts to be written off.
- The timing of income for businesses leading up to the end of the financial year can have a significant impact on the year-end tax result. Income is not assessable until it is either invoiced or received in cash depending on whether your account on a cash or on an accrual basis.
- Please note processing of super contributions, including through a clearing house, can take over 7 days to process.

Employers, please ensure that contributions are paid as early as possible to ensure they are received by the fund before 30 June as contributions are only deductible when paid. Electronic contributions are only considered paid when they are received by the superfund. Where in doubt regarding the processing time, contact the clearing house who will be able to advise of the cut-off date.

- For SMSF clients, please ensure that you have withdrawn your minimum pension for 2021 well before 30 June 2021. The treasurer has just announced that pension drawdown relief will apply to the 2021/2022 financial year.
- For clients with companies that have Division 7A loans, please ensure that repayments are made to the company before 30 June 2021.
- Division 7A can also impact on companies' interaction with Trusts. Where trusts are making distributions to companies, the funds for these should be physically transferred by 30 June to minimize the impact of Division 7A.
- Substantiation of records: The onus is on you as the taxpayer to keep all documentation regarding your tax affairs. Please ensure that you have supporting evidence for all your income and expenses and that you keep these records for the requisite period. In most cases 5 years from the date of your assessment notice. Records can be kept electronically or paper format.
- Of particular note with record keeping, you must have a log book for both home office and motor vehicle claims. With motor vehicles, please review your current log book and ensure that it is not older than 5 years and reflects your current business usage.
- Division 293 tax, which is where superannuation contributions are effectively taxed at 30% (15% top up), is levied on incomes over the \$250,000 threshold.

HOME OFFICE EXPENSES

As a result of the ongoing pandemic, some of you may find that you are working from home for extended periods of time, some may even like it! Here is a list of things to be aware of in relation to home office expense claims:

- Percentages of interest, rent and insurance are not deductible unless you are carrying on business from home and the area is separate and distinct from private living areas.
- If carrying on business from home, deductibility of interest, rent etc. may be determined by the space occupied by the home office, as well as extent the space is used for income producing purposes. Further on from this, these claims will most likely lead the home to being subject to Capital Gains Tax on sale.
- Converting the spare room is not sufficient to be classified as a home office.
- Power, heating and depreciation can be claimed at a flat rate established by the Tax Office even if the room is not exclusively set aside for a home office.
- If an office is provided by the employer, working from home as a convenient place to do part of the work may not be sufficient to claim home office expenses.
- There have been a number of recent Tribunal cases looking at the deductibility of home office costs. This issue has been identified by the Tax Office as a risk area that may be subject to increased audit activity.

DEPRECIATION & INSTANT ASSET WRITE OFF

We have attached an Australian Taxation Office fact sheet in relation to the accelerated depreciation introduced as part of the Government's Covid-19 economic stimulus measures.

Briefly, all our business clients will be able to fully expense the cost of any new asset regardless of cost instead of depreciating them over their effective life. This applies to assets purchased and installed ready for use before 30 June 2022. (30 June 2023 if the budget passes parliament). This has the significance of bringing forward a tax deduction and reducing current taxable income, so it is merely a timing benefit.



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SINGLE TOUCH PAYROLL

We note that ALL businesses that pay wages must be Single Touch Payroll compliant from 1 July 2021 regardless of size and whether the employees are related. If you are not STP ready and require assistance, please contact Sonia at the office to discuss your options.

ATO DIGITAL NOTICES

In the last few months, the ATO have attempted to convert most correspondence, including quarterly instalment notices, to electronic delivery methods unsuccessfully. In some cases we are aware that notifications were not received by yourself (or us) and unfortunately the first notification was a debt recovery letter. While the ATO are switching back to postal after their failure, we have noticed in some cases documents still not being sent. Please let us know if you would ordinarily receive a notice and you think it is missing, we can reprint it for you.

You may wish to check your MyGov inbox periodically for any notifications of new correspondence from the Australian Taxation Office. While we can access the documents on your behalf, we are not directly notified when they are released. If you would prefer us to receive your correspondence (or notifications) on your behalf, please let the office know.

AUDIT INSURANCE

We provide a service where you can elect to take out insurance to cover additional accounting fees incurred in the event of an audit by various government departments, including the ATO. Notices are no longer sent to all clients and only renewals will be sent to those who have previously participated (to occur shortly). If you do not currently participate and would like to be included, please contact the office.

<https://www.accountancyinsurance.com.au/products-services/audit-shield>

QUICK REFERENCE GUIDE

Please refer to our quick reference guide for tax rates and other relevant information.

BANKING DETAILS

One final note, we have recently switched our banking the CBA. We kindly ask that you change the details saved in your internet banking as our BDCU accounts will all be closed by 30 June 2021.

