



ATO Update

Tax Cuts Pass Parliament

The Government announced various tax measures in the 2020 Budget on 6 October 2020, and it was able to secure passage of legislation containing some of the important measures very shortly afterwards, as summarised below.

Tax relief for individuals

The Government brought forward 'Stage two' of their Personal Income Tax Plan by two years, so that, from 1 July 2020:

- the low income tax offset increased from \$445 to \$700;
- the top threshold of the 19% tax bracket increased from \$37,000 to \$45,000; and
- the top threshold of the 32.5% tax bracket increased from \$90,000 to \$120,000.

In addition, in 2020/21, low and middle-income earners will receive a one-off additional benefit of up to \$1,080 from the low and middle income tax offset.

Employers Need To Apply Recent Tax Cuts As Soon As Possible

The ATO has now updated the tax withholding schedules to reflect the 2020/21 income year personal tax cuts — the updated schedules are available at the [ATO](#).

The ATO has said that employers now need to make adjustments in their payroll processes and systems in order for the tax cuts to be reflected in employees' take-home pay.

Employers must make sure they are withholding the correct amount from salary or wages paid to employees for any pay runs processed in their system from no later than 16 November onwards.

If you are using payroll software, please ensure that you have installed the latest tax table update from your software provider.

Employees should be aware that any withholding on the old scales will be taken into account in their tax return.

Office Christmas Closure

Our office will be closing at 5:30pm on Tuesday 22nd December 2020, and will re-open at 8:30am on Wednesday 6th January 2021.

We wish to thank all our clients and friends for your ongoing support and wish you a safe and enjoyable Festive Season.

Staff Update

To assist you with planning appointments we wish to advise of the following staff members work changes:

Cherese Mackley

Cherese is extending her Christmas break and is returning to the office on Monday 11th January 2021. Cherese will also be away on leave for one week, commencing from Monday 22nd February 2021. She will return to work on Monday 1st March.

Dallas Landwehr

Dallas will be away on leave from the office Christmas break until 27th January 2021. He will be in the office a few hours per week during this period, and contactable via email.

Michelle Niewand

Michelle will be away on leave for two weeks, commencing from Tuesday 2nd February 2021. She will return to work on Wednesday 16th February.

Uncapped Immediate Write Off For Depreciable Assets

Small Business entities (SBEs) with an annual aggregated turnover of less than \$10 million can choose to apply simplified depreciation. Under the temporary full expensing rules, SBEs that apply the simplified depreciation rules will deduct:

- the full cost of eligible depreciating assets that are first held, and first used or installed ready for use for a taxable purpose from Budget night 6 October to 30 June 2022;
- the second element of cost of these assets and of existing eligible depreciating assets incurred during this period; and
- the balance of their general small business pool.

Proposed improvements have recently been announced to the full expensing rules. The government will also allow businesses to **opt out** of temporary full expensing and the backing business investment incentive on an asset-by-asset basis.

This change will provide businesses with more flexibility in respect of these measures.

Planning Considerations

The temporary Instant Asset Write-Off or full expensing measure applies automatically. A larger deduction is not always what is best for a business. It is critical to keep in mind that a deduction is of less value if it merely creates a carry-forward loss.

For sole traders and those who trade through Partnerships or Trusts this can be particularly pertinent as a write-off can mean the loss of each individual's tax-free threshold for a year, meaning that fully expensing an asset's cost could actually leave them in a worse position over time.

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The new full expensing legislation does not give a taxpayer any extra tax deduction, it just gives the deduction sooner.

Another important point is that when an asset on which full expensing has been claimed is later sold or traded is that the full amount of the consideration will be assessable income.

If it is not possible to elect out of the concession and with the overlay of other capital investment concessions, tax planning is all the more important in 2020–21. The automatic application of the concession to low-value and small business pooling will also need to be factored into this planning.

Leasing equipment may be an option to consider to spread the cost of an eligible asset over a number of years. If you wish to compare the tax and GST implications of finance by Chattel Mortgage or Leasing more information is available [here](#).

Another suggestion is to consider that it may be better to buy assets that you intend to hold for the long term such as silos, farm sheds, solar systems or water infrastructure.

From another perspective it could be a great opportunity to redeem your Farm Management Deposits – just remember that will be income to the individuals not the trading entity.

For most business entities, particularly small businesses, the depreciation recognized for accounting purposes is often equal to that claimed for tax purposes. With assets being able to be fully expensed for tax purposes, it could come about that a business will need to re-consider whether this is the best accounting policy. The full expensing of assets obviously lowers profits and might, artificially, put a business into a loss situation.

Depending on who uses the financial statements of the business, having a poor accounting result may not be desirable. For example, financiers might prefer to see a better accounting outcome than might result if full expensing of assets is adopted for accounting purposes.

In arm's length partnerships, a proper accounting for the depreciation of fixed assets may give a more palatable outcome when it comes to distribution of profits. If partners are being admitted or are departing, the business owners may prefer a profit and loss statement that shows a fair depreciation of fixed assets rather than an artificial tax number. It may even be necessary to prepare two sets of financial statements.

Another consideration is succession planning as future problems could arise due to the greater disparity between market value and book value of depreciable items when the business is sold or transferred to the next generation.

We recommend you contact us before you spend money buying an expensive asset. You need to consider cashflow, tax planning, finance and if the purchase aligns with your strategic planning. This decision could impact not just this current year, but also future years.

Simplified home office expense deduction claims due to COVID-19

Given that many Australians continue to work from home due to COVID-19, the ATO has updated its Practical Compliance Guideline which allows taxpayers working from home to claim a rate of 80 cents per hour, by keeping a record of the number of hours they have worked from home, rather than needing to calculate specific running expenses.

The application of the Guideline has been extended so that it now applies from 1 March 2020 until 31 December 2020.

Tax Treatment Of JobKeeper Payments

Broadly, JobKeeper Payments received by an employer are assessable income to the employer.

Likewise, the payments an employer subsequently makes to an employee that are funded (in whole or in part by the JobKeeper Payment) are generally allowable deductions to the employer.

The ATO has recently issued some guidance for employers in receipt of JobKeeper Payments.

For sole traders, they will need to include the payments as business income in their individual tax return.

For partnerships or trusts, JobKeeper payments should be reported as business income in the relevant partnership or trust tax return.

For a company, report JobKeeper payments as income in the company tax return.

For a taxpayer that has repaid (or is in the process of repaying) any of their JobKeeper payments to the ATO, these amounts do not need to be included in their tax return.

Stay Safe From Scammers

With ongoing reports of tax debt scams, the ATO are reminding taxpayers to be careful if they receive a strange call about their tax.

The ATO are seeing more people fall victim to these scams, which tell them they have a tax debt and that they face arrest if they don't pay it straight away.

The ATO have just launched an advertising campaign, warning the community to look out for tax scams. They are encouraging you to contact them or your tax professional if they're not sure if an ATO interaction is genuine.

The ATO will never:

- threaten you with immediate arrest, jail or deportation;
- request payment of a debt via iTunes, Google Play cards or other vouchers
- insist they stay on the phone until a payment is made
- prevent them from discussing their tax affairs with their accountant.

STP data sharing with Services Australia

Single Touch Payroll ('STP') allows the ATO to share data in real-time with other government agencies, to "help them deliver government services to the Australian community".

As part of the ATO's data-matching program, it has a STP data-sharing arrangement with Services Australia to help them administer Australia's welfare system.

This means that people who are on an income support payment from Services Australia and need to report their employment income fortnightly to Centrelink will now see their employer details are pre-filled.

JobMaker Hiring Credit

The government has passed legislation to establish the JobMaker Hiring Credit, which is part of the government's economic response to the COVID-19 pandemic.

The JobMaker Hiring Credit is specifically designed to encourage businesses to take on additional young employees and increase employment.

It does this by providing employers with a fixed amount of \$200 per week for an eligible employee aged 16 to 29 years and \$100 per week for an eligible employee aged 30 to 35 years, paid quarterly in arrears by the ATO.

To be eligible, the employee must have been receiving JobSeeker Payment, Youth Allowance (Other) or Parenting Payment for at least one of the previous three months, assessed on the date of employment. Employees also need to have worked for a minimum of 20 hours per week of paid work to be eligible, averaged over a quarter, and can only be eligible with one employer at a time.

The hiring credit is not available to an employer who does not increase their headcount and payroll.

Employers and employees will be prohibited from entering into contrived schemes in order to gain access to or increase the amount payable.

Existing rights and safeguards for employees under the Fair Work Act will continue to apply, including protection from unfair dismissal and the full range of general protections.



Victoria's Sole Trader Support Fund

Applications for Victoria's Sole Trader Support Fund are now open until 30 December 2020. These grants are to assist sole trader businesses in specific industries with their transition to "COVID normal". Grants of \$3,000 are available to help with overhead costs. Hurry as there are limited funds available and applications may close earlier.

[Apply with Business Victoria.](#)

Small Business Digital Adaptation Program

The Small Business Digital Adaptation Program will allow eligible businesses to trial and then receive access to digital products, tools and training they can use to build digital capability in their day-to-day operations.

Businesses can start using a new product, like point-of-sale payment, or restore access to a lapsed product under this program. Upgrades to existing digital tools, like adding a shop to a current website, are also included.

Products currently available to businesses through this program include website, e-commerce, finance and digital business management tools.

Businesses will be able to register, and trial selected digital products from suppliers who have partnered with the Victorian Government, then choose one of these products to purchase.

Once businesses have purchased a product, they can apply for a rebate of \$1,200 to access the product for 12 months.

The program also offers free digital adaptation training and workshops to help registered businesses adopt and implement online tools in their business.

Click [here](#) for more information.

Measures From the Victorian Budget 2020/21

Land transfer duty waiver

Tax relief on stamp duty for residential property transactions of up to \$1 million will also be provided. A waiver of 50% for new residential properties, and 25% for existing residential properties, will be available for purchases of up to \$1 million for contracts entered into between the day after announcement and 30 June 2021.

First Home Owner Grant

The Government has also extended the \$20,000 First Home Owner Grant for people buying or building a new home in regional Victoria to apply to contracts of sale entered up until 30 June 2021. This extension gives more Victorians the opportunity to live locally and enter the property market for the first time, while also supporting jobs in regional Victoria.

Land tax discount

To increase the supply of housing and create more options for renters by establishing the build-to-rent sector in Victoria, from 1 January 2022, Victoria's Big Housing Build will provide a 50% land tax discount for eligible new developments until 2040. These developments will also be exempt from the Absentee Owner Surcharge over the same period. Investment in the build-to-rent sector will stimulate construction activity, create jobs and support Victoria's economic recovery.

Vacant Land

If you have acquired vacant land, tax law changes came into effect from 1 July 2019 limiting the deductions that you can claim. Click [here](#) for more information.

Disclaimer: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances. If you no longer wish to receive any client@lerts from BCH Accountants contact info@bchaccountants.com.au and insert **UNSUBSCRIBE** in the subject.