Client Newsletter

Fox & Rynne

May 2021 Federal Budget

TEMPORARY FULL EXPENSING EXTENSION

In the 2020/21 Federal Budget, the Government announced amendments to allow businesses with an aggregated turnover of *less than* $5 billion to access a new temporary full expensing of eligible depreciating assets until 30 June 2022. Temporary full expensing became law when *Treasury Laws Amendment (A Tax Plan for the COVID-19 Economic Recovery) Bill 2020* received Royal Assent on 14 October 2020.

In the **2021/22 Federal Budget**, the Government has announced that temporary full expensing will be extended by 12 months to allow eligible businesses with aggregated annual turnover or total income of less than $5 billion to deduct the full cost of eligible depreciable assets of any value, acquired from 7:30pm on 6 October 2020 and **first used or installed ready for use** by **30 June 2023**.

Small businesses (i.e., with aggregated annual turnover of less than $10 million) can deduct the balance of their simplified depreciation pool at the end of the income year while full expensing applies (i.e., up to 30 June 2023).

It is important to note that the full expensing is only available to taxpayers classed as **carrying on a business.**

There is **no** option for small businesses to opt out of the full expensing provisions. This will mean that an asset that is fully expensed will be written off in the current tax year. It will not be added to the general pool. When this asset is sold, its value is now zero, meaning that any trade-in or the sale price of the asset will be **assessable income** when received.

PAY SUPER BEFORE 23 JUNE 2021 TO CLAIM A TAX DEDUCTION

Do you use the Small Business Superannuation Clearing House (SBSCH)?

If you intend to claim a tax deduction for super payments you make for employees in the 2020-21 income year, those payments must be accepted by the SBSCH on or before 23 June 2021.

This allows processing time for the payments to be received by your employees' super funds before the end of the 2020-21 income year.

Remember to check with your employees if their super fund details need to be updated in your SBSCH account.

SUPERANNUATION RELATED CHANGES

Removing the work test for voluntary contributions

The Government has announced that it will allow individuals aged 67 to 74 years (inclusive) to make or receive non-concessional contributions (including under the bring-forward rule) and salary sacrifice contributions without meeting the work test, subject to existing contribution caps. Individuals aged 67 to 74 years (inclusive) will still have to meet the work test to make personal deductible contributions.

The measure will have effect from the start of the first income year **after** it receives Royal Assent of the enabling legislation, which the Government **expects** to have occurred prior to 1 July 2022.

Currently, individuals aged 67 to 74 years (inclusive) can only make voluntary contributions (both concessional and non-concessional) to their superannuation fund, or receive contributions from their spouse, if they satisfy the work test (subject to a limited work test exemption). Generally, to satisfy the work test, an individual must be working for at least 40 hours over a period of not more than 30 consecutive days in the income year the relevant contribution is made.

Removing the requirement to meet the work test when making non-concessional or salary sacrifice contributions will simplify the rules governing superannuation contributions and will increase flexibility for older Australians to save for their retirement through superannuation.

Reducing the age limit for downsizer contributions

The Government will reduce the age limit from which downsizer contributions can be made by eligible individuals, from 65 to 60 years of age. The measure will have effect from the start of the first income year **after** Royal Assent of the enabling legislation, which the Government **expects** to have occurred prior to 1 July 2022.

The downsizer contribution allows eligible individuals to make a one-off, after-tax contribution to their superannuation fund, of up to $300,000 per person, following the disposal of an eligible dwelling, where certain conditions are satisfied. Under the current requirements, an individual must be at least 65 years of age at the time of making the relevant contribution, for the contribution to qualify as a downsizer contribution.

Removing the $450 per month threshold for Superannuation Guarantee ('SG') eligibility

The Government will remove the current $450 per month minimum income threshold, under which employees do not have to be paid SG contributions by their employer. The measure will have effect from the start of the first income year after Royal Assent of the enabling legislation, which the Government expects to have occurred prior to 1 July 2022.

The rate for Superannuation Guarantee Charge

The SG **rate** will increase to 10% on **1 July 2021**, and then continue to increase until it reaches 12% on 1 July 2025.

Increase in the Concessional Contributions cap

From 1 July 2021, the concessional contributions cap is $27,500. From 1 July 2017 to 30 June 2021, the concessional contribution cap for each year was $25,000.

SMALL EMPLOYERS—CLOSELY HELD (RELATED) PAYEES STP REPORTING EXEMPTION ENDS

From **1 July 2021**, amounts paid to closely held payees will need to be reported through STP. If you're a small employer you can report these amounts on or before each payday, or you can choose to report this information quarterly.

If you have any other payees (also known as arm's length employees) they must be reported on or before each payday.

CHANGES TO WORKPLACE LAWS RELATING TO CASUAL EMPLOYEES

From **27 March 2021**, changes to workplace laws relating to casual employees mean that you are a casual employee if: (a) you are offered a job, (b) the employer makes **no firm advance commitment** that the work will continue indefinitely with an agreed pattern of work, and (c) you accept the offer knowing that there is **no firm advance commitment** and become an employee. Whether you're a casual employee is assessed at the time you are offered and accept the job.

No firm advance commitment:

To work out if your employer made no firm advance commitment when offering you the job, only 4 factors are to be considered, whether: (1) your employer can choose to offer you work and it's your choice whether to work or not (2) you'll be offered work when the employer needs you to work (3) your employment is described as casual (4) you'll be paid a casual loading or a specific pay rate for casual employees.

A regular pattern of work doesn't automatically mean you're permanent (full-time or part-time). Find out more about casual employment at **www.fairwork.gov.au/casual**

Becoming a permanent employee (casual conversion)

As a casual employee, you can become a permanent (full-time or part-time) employee in some circumstances. This is known as 'casual conversion'.

Small businesses

If you are employed by a small business (fewer than 15 employees), your employer does not have to offer you casual conversion, but you can make a request to your employer if you meet the requirements for making a request. Find out more information about what a small business employer is and the rules for making a request at **www.fairwork.gov.au/casualconversion.**

Other businesses

If you work for a business with 15 or more employees, there are rules about offers and requests for casual conversions. These offers and requests will be required by **27 September 2021,** further information can be found at **www.fairwork.gov.au.**

CARRY-FORWARD UNUSED CONCESSIONAL CONTRIBUTIONS

Concessional contributions are contributions that are made into your super fund before tax, they include contributions made by your employer and your own personal concessional contributions to super. They are taxed at a rate of 15% in your super fund.

From 1 July 2021, the concessional contributions cap is $27,500. From 1 July 2017 to 30 June 2021, the concessional contribution cap for each year is $25,000.

However, from 2019–20 your cap may be higher if you did not use the full amount of your cap in earlier years. This is called the **carry-forward of unused concessional contributions**.

The carry-forward arrangements involve accessing unused concessional cap amounts from previous years. An unused cap amount occurs when the concessional contributions you made in a financial year were less than your general concessional contributions cap.

To use your unused cap amounts you need to meet two conditions:

1. Your total super balance at the end of 30 June of the previous financial year is less than $500,000.
2. You made concessional contributions in the financial year that exceeded your general concessional contributions cap.

The amount of unused cap amounts you will be able to carry-forward will depend on the amount you have contributed in previous years, starting from 2018–19. You can use caps from up to five previous financial years.

The oldest available unused cap amounts are used first. For example, unused cap amounts from 2018–19 would be applied to increase your cap first before unused cap amounts from 2019–20.

Unused cap amounts are available for a maximum of five years and will expire after this. For example, a 2018–19 unused cap amount which is not used by the end of 2023–24 will expire.

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