Client Newsletter

Fox & Rynne

December 2020

UNCAPPED IMMEDIATE WRITE-OFF FOR DEPRECIABLE ASSETS

The Government has announced it will introduce the following changes to the Capital Allowance provisions:

Businesses with an aggregated annual turnover of less than $5 billion will be able to claim an **immediate deduction** (what the Budget terms as 'full expensing') for the full (uncapped) cost of an eligible depreciable asset, in the year the asset is first used or is installed ready for use, where the following requirements are satisfied:

- The asset was acquired from 7:30pm AEDT on 6 October 2020 (i.e., Budget night).
- The asset was first used or installed ready for use by 30 June 2022.
- The asset is a **new depreciable asset** or is the cost of an **improvement** to an existing eligible asset, unless the taxpayer qualifies as a small or medium sized business (i.e., for these purposes, a business with an aggregated annual turnover of less than $50 million), in which case the asset can be **second-hand.**

Businesses with an aggregated turnover of under $10 million that purchase new and/or second hand assets between 12 March 2020 and

6 October 2020 (7.30 pm AEDT) up to $150,000 and they are first used or installed by 30 June 2021 remain fully deductible.

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 2022).

Furthermore, the provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended.

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Plant & Equipment 2020-21 Business Incentive Summary—Small Business Entities

	Pre COVID-19 stimulus	COVID-19 stimulus	Oct 2020-21 Budget
Instant asset write-off/full expensing			
	7.30pm (AEDT) 2 April 2019 – 11 March 2020	12 March 2020 – 7.30pm (AEDT) 6 October 2020	7.30pm (AEDT) 6 October 2020 – 30 June 2022
Aggregated turnover	Under $10 million	Under $10 million	Under $10 million
Threshold	Up to $30,000	Up to $150,000	No threshold—full expensing
Qualifier	New and second-hand assets	New and second-hand assets. First use or installed by 30 June 2021	New and second-hand assets. First use or installed by 30 June 2022
Backing Business Investment (BBI)			
	N/A	12 March 2020—7.30pm (AEDT) 6 October 2020	N/A
Asset cost	-	$150,000 and over	-
First year rate—SBE using simplified depreciation	-	57.5%	-
	-	New DIV 40 assets only	-
Simplified small business pool			
	7.30pm (AEDT) 2 April 2019 – 11 March 2020	12 March 2020 – 7.30pm (AEDT) 6 October 2020	7.30pm (AEDT) 6 October 2020 – 30 June 2022
Threshold	$30,000 and over	$150,000 and over	
Qualifier	Assets $30,000 and over can be placed in the SBE simplified small business pool.	Assets $150,000 and over can be placed in the SBE simplified small business pool. If balance below $150,000 at 30 June 2020 deduct in full.	Deduct balance of simplified depreciation pool at the end of the income year while full expensing appears.

MOTOR VEHICLE LOG BOOK

There are only two methods of claiming motor vehicle expenses available now, the log book method and cents per kilometre. When claiming motor vehicles under the cents per kilometre method - it can not be used for 'work horse' vehicles. A work horse vehicle is any vehicle designed to carry over 1 tonne, or more than 9 passengers. If there is any private use for these 'work horse' vehicles, a log book **must** be kept as the ATO will deny claims under the cents per kilometre method.

We recommend that a logbook be kept for your motor vehicle to establish a business use percentage. The ATO log book requirements are as follows:

- when the log book period begins and ends
- the car's odometer readings at the start and end of the log book period
- the total number of kilometres the car travelled during the log book period
- the number of kilometres travelled for each journey. If you make two or more journeys in a row on the same day, you can record them as a single journey
- the odometer readings at the start and end of each subsequent income year your log book is valid for
- the business-use percentage for the log book period
- the make, model, engine capacity and registration number of the car.

For each journey, record the:

- reason for the journey—it is recommended that you provide a more prescriptive description of a journey (or business trip) when completing a log book in respect of a car expense claim.
- start and end date of the journey
- odometer readings at the start and end of the journey
- kilometres travelled.

Log Book Timeframe

The log book must be kept for a minimum of twelve weeks. The twelve weeks can overlap income years, so long as it includes part of the year for which a claim is made. E.g. if you start to use your vehicle on 12 June 2020 for work or business purposes, you will need some of the log book to be during June 2020 to be able to make a claim in the 2020 year. The book will then last for the next 5 years.

If you establish your business-use percentage using a logbook from an earlier year, you must keep that log book and maintain odometer readings in the following years.

If your circumstances change, such as a change in the type of work undertaken by your business, you may need a new log book.

TIMING RULES FOR EMPLOYER CONTRIBUTIONS MADE THROUGH A CLEARING HOUSE

The following table considers the timing rules that apply in the context of an employer superannuation contribution, from the perspective of the employer, the recipient superannuation fund and the employee. Note that the timing rules differ depending on whether or not the contribution was made through the Small Business Superannuation Clearing House (The ATO Clearing House)

Timing issues	Small Business Superannuation Clearing House (SBSCH)	Other superannuation clearing house (this also applies where a superannuation contribution is paid directly from the employer into an employee's superannuation fund)
1. When is the contribution taken to be made for SG purposes?	Broadly, when the contribution is accepted by the SBSCH.	When the contribution is received by the recipient superannuation fund.
2. In what income year can the employer claim a tax deduction for the contribution?	In the income year in which the contribution is received by the recipient superannuation fund. However, an employer can effectively claim a deduction in the income year in which they make a contribution to the SBSCH.	In the income year in which the contribution is received by the recipient superannuation fund.
3. When is the contribution included in the assessable income of the superannuation fund?	In the income year in which the contribution is received by the recipient superannuation fund.	
4. When is the contribution counted under the concessional contributions cap	When the contribution is received by the recipient superannuation fund. However, if the contribution was 'parked' in a contributions reserve prior to being allocated to the member, it may be counted under the concessional contributions cap in the year in which it is subsequently allocated.	
5. When is the contribution counted for Division 293 purposes?	When the contribution is included in the assessable income of the recipient superannuation fund, which is when it is received by the fund.	

SMALL BUSINESS TRAVEL EXPENSES

If you are a small business owner claiming a deduction for expenses you incur when travelling for your business:

- You must keep your business travel expenses separate from your private expenses.
- You must keep records for five years that prove your expenses.
- If you travel for six or more consecutive nights, you may need to keep a travel diary.

Types of expenses

- airline, bus, train, tram and taxi or ride-sourcing fares
- car-hire fees and the costs you incur (such as fuel, tolls and car parking) when using a hire car for business purposes
- accommodation and meals if you are away overnight.

Claiming travel expenses

Your business can claim a deduction for travel expenses related to your business, whether the travel is taken within a day, overnight, or for many nights. The expenses must form part of your business records.

You cannot claim any private costs of the travel, for example, leisure activities, a holiday that you add onto your business travel, or the costs of a family member who travels with you.

To claim expenses for overnight travel, you must have a permanent home elsewhere and your business must require you to stay away from home overnight. You cannot claim travel expenses that arise because you are relocating or living away from home.

If you operate your business as a company and the business pays for private portions of your travel, there may be tax implications for you (as an individual) and your business for providing benefits to you.

Employee travel expenses

Whatever your business structure, if you have employees who travel for your business, the business must actually incur the travel expense (by paying for it directly or reimbursing the employee) to be able to claim it as a deduction.

Your business may be subject to FBT if it pays or reimburses your employees for their travel expenses or private activities. Certain exemptions and concessions may apply to reduce your FBT liability. To access the exemptions and concessions, you may need to obtain records from your employee.

If you pay your employees a travel allowance or a living-away-from home allowance, there are different considerations.

Records you need to keep

You need to keep records that prove all of your business travel expenses for five years. These records can include:

- tax invoices
- boarding passes
- tickets
- travel diary
- details of how you worked out the private portion of expenses.

BOARDING SCHOOL ASSISTANCE

There are educational allowances available for Queensland children living away from home (LAFHA). They are preferably claimed online from 1st December the year preceding year of claim and no later than 31st December of the current year. Eligibility criteria is similar to AIC.

- Remote Area Tuition Allowance (RTuA) - to help with payment of tuition fees
- Remote Area Travel Allowance (RTrA)- to help with travel expenses for distances more than 50km.
- Remote Area Allowance (RAA) - for students attending one of the campuses of the Australian Agricultural. College equivalent to and in lieu of Years 11 and 12 (PACE Programs).
- Remote Area Disability Supplement (RADS) –
- Special Circumstances – You may also be eligible for the following reasons: Impassable Roads, Itinerant, Occupations, Medical Conditions, Schools Approved for Bypassing.
- Gifted and Talented - Queensland Academies Isolated Students (QAIS) Bursary

Conveyance Allowance

Queensland Transport – must be claimed by the 31st December of the current year. For students who reside more than 4.8km (Secondary) or 3.2km (Primary) from the nearest state school with the required year level.

Bypass Schools

If you live near certain secondary schools, you may still be eligible for allowances to send your child away to boarding school, year levels vary for eligibility. A bypass school is a rural or remote Queensland state school that may not deliver the programs a senior student needs to complete their chosen areas of study.

School of Distance Ed ICT Subsidy Scheme

State schools of distance education will administer funds to eligible students currently enrolled at a state school of distance education for a minimum of six months continuous enrolment. Hardware subsidies are available to support students who are identified as belonging to geographically isolated or medical categories. Internet subsidies are available to support students who are identified as belonging to the geographically isolated category.

Federal Allowances for Isolated Children (AIC)

If your student attends a primary or secondary school, school of distance education, boarding school, special education facility or rural training college, and

A. You live at least 16km (by shortest practicable route) from the nearest state school with the required year level and at least 4.5 km from the nearest transport.

B. If you live less than 4.5km from transport, a student may still qualify if the family home is: -

i. At least 56km from the school via the transport service; or

ii. At least 3 hours traveling time per day to and from the school via the transport service.

- Boarding Allowance - income test free. [For families with low income, a means-tested Additional Allowance is available] Students aged 17, participating in an approved tertiary course at an Agricultural, TAFE or similar College are also eligible.
- Second Home Allowance - for a second home maintained by the family so the student can go to school daily
- Distance Education Allowance - for prep, primary and secondary level.

Single Touch Payroll for Business with Closely Held Payees

Small employers with only closely held payees have until 1 July 21 to start Single Touch Payroll (STP) reporting. A closely held payee is someone directly related to the entity from which they receive payments. This includes family members, directors and beneficiaries of a trust. If you are employing arm's-length employees, you will need to start STP reporting for those employees now.

What you need to do:

For any arm's-length employees you're not currently reporting through STP, you need to start reporting as soon as possible or on expiry of a deferral (if you have one). From 1 July 21 you will need to report your closely held payees through STP.

Warning for Early Access to Superannuation Recipients

According to figures published by the Australian Prudential Regulation Authority (APRA), up until 30 August 2020, over four million applications had been lodged for the early release of super entitlements under the COVID -19 condition of release, resulting in around $32.6 billion being withdrawn from superannuation.

As a result, the ATO has advised that it has been significantly increasing its efforts to identify individuals who may have illegally (including fraudulently) accessed their preserved super entitlements under the new COVID-19 condition of release.

Concessional Contributions

Concessional Contributions include super contributions made by your employer and your own personal concessional contributions to super. They are taxed at just 15% rather than your marginal tax rate. Generally, the cap on concessional contributions, each financial year, is $25,000.

Now, for the first time, you can '**carry-forward**' the unused portion of your concessional contributions cap from last financial year and contribute it to super this financial year. This is possible as long as you have a total super balance of under $500,000.

Currently, only the unused concessional contribution cap amounts in the 2018/19 financial year can be carried forward. Then, for future financial years, they can be carried forward, on a rolling basis, for five years.

CHANGES TO PERSONAL INCOME TAX RATES & SUPERANNUATION GUARANTEE CHARGE RATE

The Government has announced that it will bring forward changes to the personal income tax rates that were due to apply from 1 July 2022, so that these changes now apply **from 1 July 2020** (i.e., **from the 2021 income year**). These changes involve:

- increasing the upper threshold of the **19%** personal income tax bracket from $37,000 to **$45,000**; and
- increasing the upper threshold of the **32.5%** personal income tax bracket from $90,000 to **$120,000**.

These changes are illustrated in the following table (which excludes the Medicare Levy).

Rate	**Current (2019 to 2022)**	**Proposed (2021-2024)**
0%	0 – $18,200	0 – $18,200
19%	$18,201-$37,000	$18,201-**$45,000**
32.5%	$37,001-$90,000	**$45,001-$120,000**
37%	$90,001-$180,000	$120,001-$180,000
45%	$180,001 +	$180,001 +

The rate for **Superannuation Guarantee Charge** payments for employers is 9.5%, with this **rate** currently set to continue until 1 July 2021, when it will increase to 10%.

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