

Waugh Miller Macqueen Pty Ltd

Client Newsletter

JUNE 2020

Would you prefer this newsletter to be emailed to you in future? See page 9.



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CERTIFIED PRACTISING ACCOUNTANTS

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2020 Government Economic Measures - Due to COVID-19

To deal with unprecedented social and economic upheaval across Australia and the world. The 2020 Budget has been deferred to Spring; the government has introduced numerous stimulus measures to provide cash flow support for Businesses:

1. Cash flow boost to eligible employers of \$20,000 up to \$100,000
2. Job keeper scheme ("JKS") – A wage subsidy scheme of \$1500 per fortnight per eligible employee, and for 1 eligible business participant.
3. Superannuation – early access to superannuation for people under retirement age of up to \$10000 by 30/6/2020 and \$10000 by 30/9/2020,
4. New instant asset write off of up to \$150,000,
5. New accelerated depreciation up to 30/06/2021,
6. Various other measures including business rent relief, and deferral of business loan repayments; superannuation fund minimum pensions halved.

ATTENTION PLEASE

Please complete the attached annual 30/06/2020 **Tax Action Sheet** and return to this office ASAP & ensure the **Trust Income Resolutions** are signed and returned by 30/06/2020 (sent separately if applicable)

ATTENTION: IMPORTANT NOTICE

TAX RATES & OFFSETS:

	Tax Rates 2019/20	
MEDICARE LEVY	\$0 - \$18,200	0%
From 1/7/17 - 2%	\$18,201-\$37,000	19.0%
	\$37,001 - \$90,000	32.5%
	\$90,001-\$180,000	37.0%
	\$180,001	45.0%



Medicare Levy - Low income thresholds

Medicare Levy Low Income Threshold amount	From 1/7/2020
Singles	22,398
Families	\$37,794
Pension - Single	\$35,418
Pension - Couples	\$49,304

There will be no increase to existing 2% Medicare Levy in 2019/20.

Medicare Surcharge - Applies to taxpayers who do not have an appropriate level of private hospital insurance. Applies to singles with incomes above \$90,000, and couples with incomes above \$180,000.

Private Health Insurance Rebate - Reduced from 1/7/12 for high income earners.
Singles above \$84,000,
Families above \$168,000

The rate is 30% of premium, but reduces to:

Families:	Singles:	
> \$176,000	> \$88,000	- Rebate 20% (Surcharge if no private Health Insurance—1%)
> \$204,000	> \$102,000	- Rebate 10% (Surcharge if no private Health Insurance—1.25%)
> \$272,000	> \$136,000	- Rebate NIL (Surcharge if no private Health Insurance—1.5%)



Senior & Pensioners Tax Offset ('SAPTO') (Replaces Senior Australian Tax Offset)

SITUATION	MAX OFFSET	SHADE OUT	THRESHOLD
- Single	\$2,230	\$32,279	\$50,119
- Each member of couple	\$1,602	\$28,974	\$41,790

SMALL BUSINESS ENTITY - Corporate Tax rate - 27.5%

Corporate tax rate - 30% for Companies with turnover > \$50M

Immediate relief for low and middle income earners:

The Low and Middle Income Tax Offset ("LAMITO") is a non-refundable tax offset that is intended to benefit Australian resident low and middle income taxpayers. Currently, the LAMITO applies from the 2019 income year to provide tax relief of up to \$1080, with a base amount of up to \$255.

The Coalition Government has announced that it will increase the LAMITO, with effect **from the 2019 income year**, to provide **tax relief of up to \$1,080** per annum, as well as an **increased base amount of up to \$255** per annum. The (increased) LAMITO will be available for the 2020 income year up until the 2022 income year (inclusive) and will be received on assessment after individuals lodge their income tax return. The current and proposed LAMITO apply as follows:

LAMITO	
\$0 - \$37,000	Up to \$255
\$37,000 - \$48,000	\$255 + 7% of excess over \$37,000
\$48,001 - \$90,000	\$1080
\$90,001 - \$126,000	\$1,080 - 3% of excess over \$90,000
\$126,001+	Nil

2020 Government COVID-19 Stimulus Measures



Cash Flow Boost – 2 Parts

The first boost equal to the employers PAYG withholding amounts on salary and wages made and recorded through Business Activity Statements up to 31/03/20.

Minimum boost is \$10,000 up to a maximum of \$50,000

The second boost is equal to the first boost and received with the 30/06/20 Business Activity Statement.

Eligibility to access the boost is determined by the ATO, via the business activity statement reporting system.

Employer must be a: SBE < \$10 M turnover

MBE < \$50 M turnover

Integrity rules prevent any scheme which makes an entity entitled to an increased boost, and is not consistent with what the business normally does.

JobKeeper System

Eligible business (impacted by COVID-19) receive a wage subsidy of \$1500 per fortnight per eligible employee, and for 1 eligible business participant.

The subsidy is paid monthly in arrears for a maximum of 6 months from 30/03/20 – 27/09/20

It ensures eligible employees are paid at least \$1500 per fortnight, for the duration.

An eligible employer must satisfy the following:

- Must be carrying on business at 1/3/20
- Must satisfy the decline in turnover test,
- Basic test is 30% decline in turnover against 2019:
 - For March 2020 or
 - For April 2020 or
 - For June Quarter
- Or if not qualifying from outset, can use a subsequent turnover test, of May, June, July, August & September, (If you then qualify, JobKeeper starts from the start of the month. Or use September quarter/ first JobKeeper subsidy is paid early July.)

Can use accrual, or cash accounting methods.

(Test is 50% decline in turnover for businesses with more than \$1 B Turnover)

Eligible employees – Must have been employed on the 1st March 2020 as permanent or long term casual, and be paid at least \$1500 per fortnight.

Must be notified of JobKeeper and also nominate with employer.

Government Stimulus Measures

New Early Access to Superannuation

Provide access to a lump sum of up to \$10,000 up to 30/06/2020 and \$10,000 up to 30/09/2020, to certain residents who qualify as follows.

- Person is unemployed
- Eligible to receive JobSeeker, Parenting payment or special Government benefits, Youth Allowance, Farm Household Support or after 1/1/2020 person was made redundant.

The lump sum is tax free.

Temporary residents are able to access 1 payment up to \$10,000 by applying before 30/06/2020

COVID-19
Stimulus Package



NEW ACCELERATED DEPRECIATION

Applies to qualifying new assets purchased from 12/3/20 to 30/06/21, for which an instant asset write off is not available, an immediate depreciation of 50% of the cost together with existing depreciation rules on the balance is available.

In the 30/6/20 year, the new accelerated depreciation will generally apply to NEW assets exceeding \$150,000.

In the 20/21 year however, it will apply to most new assets as the instant asset write off reverts back to \$1,000.

Tax Tip: The new accelerated depreciation allows bring forward of deductions, but still allows balancing charge offset to be applied to neutralise profit if the asset is sold.

INSTANT ASSET WRITE OFF TABLE

TAX WARNING – The cost threshold has changed many times

It is important to be aware that the amendment to increase the immediate write-off threshold to less than \$150,000 follows many earlier increases that have been made to the threshold over past years, as set below. The applicable immediate write-off threshold is that which applies in the period the relevant asset was first used or was ready for use for a taxable purpose:

- From 1 January 2014 to prior to 7:30pm (AEST) 12 May 2015 – less than **\$1,000**
- From 7:30pm (AEST) on 12 May 2015 to 28 January 2019 – less than **\$20,000**
- From 29 January 2019 to 7:30pm (AEDT) on 2 April 2019 – less than **\$25,000**
- From 7:30pm (AEDT) on 2 April 2019 to 11 March 2020- less than **\$30,000**
- From 12 March 2020 to 31 December 2020 – less than **\$150,000** (refer above) and
- From 1 January 2021 – less than **\$1,000**

Given the differing thresholds, it is crucial SBEs apply the **correct threshold** in determining the amount of the immediate deduction that is available to them under the instant asset write off.

Note: If an instant asset written off is later sold, all proceeds are taxable.

To Do:

IMPORTANT COMPLIANCE REQUIREMENTS



- Complete Annual 30/6/2020 “Tax Action Sheet” requirements and return ASAP (yellow sheet attached).
- Ensure Trust Income Resolutions are signed and returned by 30/6/20 (sent separately if applicable).
- Ensure employee 9.5% superannuation contributions for 30/6/20 are made by 28th July 2020.
- New Super Stream provisions—Now apply where employee super must be reported through a clearing house.
This will allow ATO to match and check employer contributions are made and paid on time. IMPERATIVE that 9.5% employee superannuation is paid quarterly by 28th July, October, January and April each year.
(Heavy penalties can apply for late and non-payments - or a superannuation guarantee charge form can be lodged and paid to the ATO).
- Single Touch Payroll (STP) - started from 1/7/19
- Car motor expense claims—The 1/3 claim method has been withdrawn, and also for incorporated businesses, the FBT reimbursement is a flat 20% (not based on annual kilometres).
Therefore to gain any reasonable claim, small business operators will need to complete a 12 week log book to establish a business claim, otherwise each motor vehicle car claim deduction is limited to \$3,400pa (5000 business kilometres x 68¢).
- **CAR LOG BOOK** - to substantiate business use percentage, log book must be completed every 5 years for 12 week period.

Finalising your Single Touch Payroll data

You may be exempt from giving payment summaries and a payment summary annual report for the amounts you reported through Single Touch Payroll (STP). This information will be made available to your employees online through myGov. Your employees can also request a copy of this information from the ATO.

- To be exempt from issuing these payments summaries to your employees, you will need to make a finalisation declaration by 31st July 2020. This declares you have provided all required information for the financial year through your STP reporting.
- Ensure summary for year reconciles with quarterly/monthly BAS reported throughout the year.
- You will need to provide a Payment Summary for any payments not reported through STP.
- Review Business contract arrangements to ensure compliance with Fair Work commission rules.

WORKING HOLIDAY MAKERS (BACK PACKER TAX) (“WHM”)

For Work and Holiday Visa holders of 417 Visa, 462 Visa and Bridging Visas.

From 1/01/17 - 15% Back packer tax rate on first \$37,000 applies.

(Previously 32.5% rate for non residents)

Business's must register as WHM employer with ATO.

PRIMARY PRODUCTION TAX TOPICS

A. Averaging:

Averaging is still beneficial, particularly for people moving into averaging for first time and tax payers with large seasonal income variations.

The recent increase in tax thresholds generates drops in Primary Production Average rates particularly for average incomes below \$87,000, and persons first entering averaging.

A five year average income of \$50,000 sets a rate of 15.6%

While a five year average income of \$87,000 gives a rate 22.8%, (this compares well with middle income tax rates of 32.5% and 37%).

Note: Taxpayers who previously opted out of averaging are now reinstated into averaging after 10 years.



B. Working Holiday Backpacker Tax (“WHM”)

As of 1/1/17, working holiday 417, 462 and Bridging Visa holders are subject to new provisions.

A flat 15% backpacker tax rate applies on first \$37,000 pa (\$712 per week).

Business's must register as WHM employees with the ATO.

Employers must still pay compulsory superannuation.

C. New Farm Management Deposit (“FMD”) provisions

- FMD cap increases from \$400K to \$800K per person.
- Individuals non PP income (excluding net capital gain) must be <\$100,000.
- Must be redeemed at death or within 120 days of ceasing to be a Primary Producer.
- Can be redeemed in less than 12 months under natural disaster recovery relief arrangements; using Australian rainfall deficiency analyser.

FMD use in loan offset amounts allows the FMD to be linked to a Bank Loan to reduce interest paid as a direct offset for partnerships only, (i.e. does not yet apply to Corporate and Trust Loans). Are tax deductible when deposited, and taxable when redeemed. Note, the leap frog benefit if held for 13 months, June one year, to July the next.



D. Pre-purchase of consumables

ATO has ruled that purchases of consumables for use up to 3 months, in current production cycle, after end of financial year are deductible.

This ruling places doubt on the deductibility of input purchases for use in the next years crop program.

F. Small Business Entity (SBE) concessions:

The threshold increases from \$2M turnover to \$10M from 1/7/16 year for a SBE to access:

SBE instant write off for water and fencing infrastructure.

SBE immediate deduction for business asset costing less than \$20,000 in 17/18 and \$30,000 in 18/19 (See table Page 4)

SBE accelerate depreciation, and full balancing charge offset for profit on disposal of plant.

G. Foreign Resident CGT Withholding Regime (“FRCGW”)

FRCGW increase CGT withholding tax rate from 10% to 12.5% from 1/7/17 on property sales with threshold of \$750,000.

This means a purchaser must withhold and remit 12.5% of property/farmland purchase price unless the Vendor has obtained a clearance certificate from the ATO, (a document that certifies the vendor is not a foreign resident).

H. Instant Write-off - Fodder storage

From 19/8/18, an outright deduction is available for grain and hay storage sheds, and silos used for storage of feed grain and hay for livestock (Primary Producers only). If used for storage of grain for human consumption, then no outright deduction applies. BUT, if stored for onsale to livestock producers, then outright deduction available.

Does not apply to second hand items. If expense made through partnership then deduction must be allocated amongst the partners.



SMALL BUSINESS CAPITAL GAINS TAX (“CGT”) CONCESSIONS



From 1/07/2007 new simplified rules were made to determine if a business is a SBE and thus qualify for a range of active asset capital gains tax concessions.

To qualify for CGT concessions, an eligible small business must have either:

- Net assets of <\$6M, or turnover of <\$2M per year.

The eligible SBE can then choose the following:

(Not available for non small businesses)

Small Business CGT Concessions to neutralise tax on realised Capital Gains:

- * 15 Year exemption -
(All gains tax free if asset held > 15 years and taxpayer is aged > 55)
- * 50% Active asset reduction
- * CGT Retirement exemption (Rollover the taxable CGT component into a super fund tax free or class this as tax free ETP if > 55)
- * Replacement Asset rollover

SMALL BUSINESS ENTITY (“SBE”)



- Other business income tax concessions:

From 1/7/16, business turnover threshold increased from \$2M to \$10M for eligible concessions including:

- Accelerated depreciation, 15% in acquisition year, then 30% per year.
- Instant write-off of eligible plant and equipment purchases.
- Profit on disposal of plant - balancing charge offset against plant pool.
- Prepayment of expenses immediate deductibility.
- GST concessions of paying quarterly instalments.
- Quarterly provisional tax instalments, and for Primary Producers, 75% / 25% instalments at back end of financial year.

IMPORTANT MESSAGE FOR ANY CLIENTS WHO HAVE A BUSINESS NAME

If you have a business name, please ensure your renewal payments are **made to ASIC only and not** independent businesses like “Online Business Registration” or “Registry Australia Pty Ltd”.

These independent businesses charge extra fees and can sometimes charge up to 3 times more than ASIC. They search online for business names and send out notices earlier than ASIC to try and catch people unaware.

They have sometimes even stated your business name has expired when it hasn't, maybe to alarm people so they make a payment immediately.

ASIC will send out their notices generally a month before they are due for renewal.

Wait for this ASIC notice before paying your business name renewal.

If you have any queries in relation to the above do not hesitate to contact this office.

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SUPERANNUATION



SUPERANNUATION KEY POINTS:

- Tax deductible contributions:
As from 1/7/17, a single deductible cap of \$25,000 per year for all taxpayers. Furthermore, taxpayers can carry forward unused deductible contributions into future years.
Tip: *When planning for a future capital gain or income/salary spike, taxpayer can build up unused superannuation contributions from 17/18 on to offset higher tax rates in future years.*
- Super deductible contributions taxed at 15%, within super fund, but for individuals earning \$250,000, taxed at 30% (i.e. Extra 15% surcharge).

OTHERWISE THE MAIN SUPERANNUATION INITIATIVES AND ADVANTAGES REMAIN

- Account Based Superannuation Fund Pensions over 65 are tax free.
- Superannuation fund earnings taxed at 15% in Accumulation Phase and tax free in Pension Phase. However, the new Budget measures will tax the fund at 15% where a person is in transition to retirement pension but has not retired between age of 60 - 65, effective from 01/07/2017. (Income within fund taxed at 15%.)
- Deductible contributions can be made up to 75 years, subject to 40 hours in any one month work test for over 66. (Test is not scrapped).
- Tax free lump sums can be taken after age 66 or after 60 if retired from position, or after 55 if permanently retired.
- Salary earners can now make additional salary sacrifices or personal deductible contributions up to an all up limit of \$25,000 per year. (i.e. the 10% PAYE rule is scrapped).

Recent changes affecting superannuation contributions

The Government has recently introduced significant changes affecting superannuation contributions, most of which apply from **1st July 2017**.

From **1st July 2017**, the following key changes to the contribution rules will apply:

- Non-concessional (or personal non-deductible) contributions**
 - * **Reduced non-concessional contribution limits** - The annual contribution limit has been reduced from \$180,000 to **\$100,000** per person. Furthermore, the \$540,000 'bring forward' amount has been reduced to **\$300,000** (i.e. 3 x \$100,000 annual non-concessional contributions limit).
 - * **New \$1.6 million superannuation balance restriction for non-concessional contributions** - An individual who has total superannuation entitlements of at least \$1.6 million at the start of an income year will not be able to make non-concessional contributions in that year without breaching their limit.
- A reduced concessional (or deductible) contributions limit** - The annual limit in respect of concessional (or deductible) contributions (e.g. Employer contributions and personal deductible contributions) has been reduced to **\$25,000 for all individuals** (irrespective of their age).
- Claiming deductions for personal (after-tax) contributions** - From 1st July 2017, an individual will generally be able to deduct personal (after-tax) contributions irrespective of their work status (i.e. Whether or not they are an employee) and irrespective of the level of any salary income derived during the relevant income year.
- Additional 15% tax liability on contributions for people earning more than \$250,000** - From 1st July 2017, individuals earning more than \$250,000 will generally be liable to pay an extra 15% tax on deductible contributions (including employer contributions) received by their superannuation fund. (Limit prior to 30 June 2017 was \$300,000).
- Extending the tax offset for spouse superannuation contributions** - From 1st July 2017, the existing tax offset of \$540 (maximum) for spouse contributions will generally be available to a taxpayer who makes superannuation contributions for the benefit of a spouse whose income is *less than \$40,000* (the existing spouse income threshold is only \$13,800).



TRUSTS



FAMILY TRUSTS - The operation of Family Trusts as secure asset holding vehicle and flexible business trading structures is **unaffected**, other than:
- to the extent of Income distributions to Pty Ltd Corporate “Bucket Companies”, must now be actually paid out by the end of a 7 year or 10 year specified loan period.

However, the Government has released exposure draft legislation to increase trustees certainty, and provide **clarity** in the tax treatment of Trusts, provided resolution for distribution of Trust income are recorded by 30/6/2020. (i.e. By the end of the financial year.)

- **TRUST STREAMING OF INCOME**

- Capital gains and franked dividends can be streamed to specific beneficiaries.
- All other trust income will be assessed to beneficiaries on a proportionate basis, based on their share of Trust income distributed.

- **TRUST Distributions to corporate “Bucket Companies”** (to limit tax rate at 27.5%):
(All distributions to corporate beneficiaries up to 16/12/2009 are unaffected by the new rules)

All future Trust distributions to bucket companies
(tax rate or 27.5% Small Business tax rate) must be supported by:

- A transfer of funds into the company bank account, **or**
- A 7 year loan agreement, whereby the Trust must pay the company 5.2% interest per year, **or**
- A 10 year loan agreement whereby the Trust must pay the company 8.32% interest per year (Current small business indicator rates).

By the end of the 7 year or 10 year period, the Trust loan principal must be repaid in full by either:

- Receiving back fully franked dividends from the company, or
- Paying loan principal to company bank account, **OR**, investing in income producing assets for the company.

If necessary, in high income situations the bucket company distribution can be used, but there will be a sunset pay back clause triggered in 7 or 10 years.

TAX TIP - Avoid a private company UPE becoming a Division 7A loan

As a concession, the ATO allows a trust to retain the funds representing a private company UPE without a Division 7A loan arising, if the funds are held on **sub-trust** for the sole benefit of the company, and all the benefits flow back to the company. This is a useful alternative if the trust cannot fully pay out the UPE, or wishes to use the funds (e.g. as working capital).

To end this, the following (‘safe harbour’) sub-trust options are specified in PS LA 2010/4:

1. A **7-year interest only** investment with interest payable at the Div. 7A benchmark rate.
2. A **10-year interest only** investment with interest payable at the RBA’s ‘indicator lending rate for small business variable (other) overdraft’ (for the month of May immediately before the start of the relevant income year).
3. The UPE funds are **invested in a specific income-producing asset** for the company.



RESOLUTION FOR DISTRIBUTION OF TRUST INCOME BY END OF FINANCIAL YEAR

Please ensure the Trust Income Resolution is signed by 30/6/2020, which will be posted to you for signing and returning (if applicable).



If you would like this newsletter to be emailed to you in future, please send an email to us at wmdow@wn.com.au with “Email Newsletter” in the subject field.

ARE YOU
SUPER
STREAM
READY?



SUPERSTREAM CONTRIBUTION STANDARDS



New superannuation standards prescribe minimum payment and reporting obligations for employers and super funds in relation to employer contributions.

- Employers must make super contributions on behalf of employees by submitting payment and data electronically.
- All super funds must receive employer contributions electronically. (New rules do not apply to employer and SMSF Trustees for contributions made by a related party).

Payment methods required to be used by employers and super fund trustees:

- Bulk electronic clearing direct entry system
- BPAY
- Electronic Funds Transfer

i.e. Employers will need a BPAY Biller code and/or the super fund bank account details.



<https://www.ato.gov.au/Super/SuperStream>

Small Business Superannuation Clearing House:

The SBSCH can be only be accessed via your myGov account if you are a sole trader, or by obtaining an AUSKEY for partnerships and Trusts.

An alternative to a myGov account and an AUSKEY, is that employers set up an account with a free clearing house such as CareSuper, or Australian Super.

You can then process your employees super obligations via their clearing house.

Employers with over 20 employees:

If you employ over 20 employees, you need to work with your service provider to decide which best suits you to become compliant.

Self Managed Super Fund (SMSF) providers services

SMSF Trustees will need to provide their Employers with an "electronic service address" and their Superannuation fund bank detail to enable them to make contributions to Self Managed Super Funds electronically.

SMSF Trustees can receive employer contribution messages sent using SuperStream via their electronic service address.

The electronic service address is used to identify where contribution messages for your SMSF are to be sent.

An Electronic service address can be obtained from a provider listed on the ATO website at:

<https://www.ato.gov.au/Super/SuperStream/In-detail/Contributions/SMSF-messaging-service-providers/#RegisterofSMSFmessagingproviders>

Compliant software providers list: <http://softwaredevelopers.ato.gov.au/SuperStream-certifiedproductsregister>

