Waugh Miller Macqueen Pty Ltd

Client Newsletter

JULY 2022

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THE WORLD IS EVERCHANGING—EDITORIAL

2020 Covid measures provided massive cash flow boost and JobKeeper measures, and extended plant machinery temporary full expensing write off until 30/6/2023.
2021 saw strong asset growth fueled by government stimulus around the world.
2022 We have accelerating inflation, increasing commodity input prices, world political instability, rising interest rates and government debt repayment requirements.

Affects on small business could include:

1. Interest rate rises—Reserve bank rate now 1.35%, anticipated to increase to 3%*. (Borrowing rates rise from 3% to 6%). (Note borrowing rate 10% in late 90's and 10% in 2007).
2. If commodity prices fall back to 10 year levels, then matched with high inputs; profitability will be squeezed.
3. Business tax will increase after 1/7/2023—termination of plant and equipment temporary full expensing and Trust distribution tax benefits generally tightened.

   In this environment ensure debt levels have been reviewed/reduced and major business expansion, asset acquisitions are carefully planned.

ATTENTION PLEASE

Ensure the **Trust Income Resolutions** are signed and returned as soon as possible **(sent separately if applicable)**

ATTENTION! IMPORTANT NOTICE

Individual Rates of Tax – 2021/22

Resident Individual

The following rates apply to resident individuals for the 2022 income year:

Taxable Income $	Tax Payable[1]
0 – 18,200[2]	Nil
18,201 – 45,000	19% of excess over $18,200
45,001 – 120,000	$5,092 + 32.5% of excess over $45,000
120,001 – 180,000	$29,467 + 37% of excess over $120,000
180,001+	$51,667 + 45% of excess over $180,000

1 The above rates do not include the Medicare levy of 2%.

2 The tax-free threshold may effectively be higher for taxpayers eligible for the Low Income Tax Offset, the Low and Middle Income Tax Offset, the Seniors and Pensioners Tax Offset and/or certain other tax offsets.

Pro-Rated Tax-Free Threshold – Ceasing or Becoming a Resident

The tax-free threshold that applies to resident individuals ($18,200 in 2021/22) is pro-rated in an income year in which a taxpayer either ceased to be, or became, a resident for tax purposes. For the 2022 income year, the pro-rated threshold is calculated using the following formula:

$13,464 + ($4,736 x number of months taxpayer was resident for the year ÷ 12)

Non-resident Individual

The following rates apply to individuals who are not residents of Australia for tax purposes for the entire income year:

Taxable Income $	Tax Payable[1]
0 – 120,000	32.5% of the entire amount
120,001 – 180,000	$39,000 + 37% of excess over $120,000
180,001+	$61,200 + 45% of excess over $180,000

1 Medicare Levy is not payable by non-residents.

Working Holiday Makers

The following rates apply to the 'working holiday taxable income' of an individual who is a 'working holiday maker' (e.g., if they hold a subclass 417, 462 or Covid -19 pandemic event 408 visa):

Working Holiday Taxable Income $	Tax Payable[1]
0 – 45,000	15% of the entire amount
45,001 – 120,000	$6,750 + 32.5% of excess over $45,000
120,001 – 180,000	$31,125 + 37% of excess over $120,000
180,001+	$53,325 + 45% of excess over $180,000

1 The above rates do not include the Medicare levy of 2%. Note, however, that the Medicare levy is not payable by working holiday makers that are non-residents for tax purposes.

2 These WHM tax rates do not apply to nationals of the United Kindom, Chile, Finland, Japan, Norway, Turkey, Germany (from 1 July 2017) and Israel (from 1 July 2020).

<u>COMPANY RATES OF TAX 2021/22</u>

- Base Rate Company 25%
- All Others 30%

Year End Supplement 2022

Resident Minor – Unearned (Division 6AA) Income

The following rates apply to the income of certain resident minors (e.g., resident persons who are under 18 years of age on the last day of the income year and are not in a full-time occupation) that is **not** 'excepted income':

Division 6AA Eligible Taxable Income $	Tax Payable[1,2]
0 – 416	Nil
417 – 1,307	66% of excess over $416
1,308+	45% of the entire amount

1 Medicare Levy may also be payable.

2 Resident minors are not entitled to the Low Income Tax Offset or the Low and Middle Income Tax Offset in respect of 'unearned' income.

Non-resident Minor – Unearned (Division 6AA) Income

The following rates apply to the income of certain non-resident minors (e.g., non-resident persons who are under 18 years of age on the last day of the income year and are not in a full-time occupation) that is **not** 'excepted income':

Division 6AA Eligible Taxable Income $	Tax Payable[1]
0 – 416	32.5% of the entire amount
417 – 663	$135.20 + 66% of excess over $416
664+	45% of the entire amount

1 The Medicare Levy is not payable by non-residents.

Medicare Levy – 2021/22

General Rate

Income Year	Rate
2022	2% of taxable income

Low-income Thresholds – Individuals

Single Taxpayer	Threshold Amount[1] $	Phase-in Limit[2] $	2% at or Above[3] $
Single taxpayer not eligible for Seniors and Pensioners Tax Offset	23,365	23,366 – 29,206	29,207
Single taxpayer eligible for Seniors and Pensioners Tax Offset	36,925	36,926 – 46,156	46,157

1 No Medicare Levy is payable on taxable income levels at or below the Threshold Amount.

2 If taxable income falls within the Phase-in Limit, the Medicare Levy is payable at 10% of the excess over the Threshold Amount.

3 The Medicare Levy of 2% applies to the entire amount of taxable income.

Personal Tax Offsets – 2021/22

Dependant (Invalid and Carer) Tax Offset

A taxpayer may be entitled to the Dependant (Invalid and Carer) Tax Offset ('DICTO') broadly, if they:

- maintain their spouse, who is an invalid or who cares for an eligible invalid;
- maintain their parent or their spouse's parent, who lives in Australia and is an invalid or who cares for an eligible invalid; or
- maintain their or their spouse's invalid child, brother or sister who is aged 16 years or older.

Note, the ATO generally refers to this offset as the **Invalid and Invalid Carer Tax Offset** to avoid the impression that it may be claimed with respect to any dependant of a taxpayer.

The maximum offset and adjusted taxable income ('ATI') amounts for 2021/22 are as follows:

Maximum Offset Amount[1] $	Maximum ATI[2] $
2,833	11,614

1 The offset reduces by $1 for every $4 by which the dependant's ATI exceeds $282 and cuts out if the maximum ATI is reached.

2 To claim the DICTO for a dependant other than a spouse, the combined ATI of the taxpayer and their spouse (if applicable) must not exceed $100,900. If claiming for a spouse, the taxpayer's ATI must not exceed $100,000. An individual's ATI includes their taxable income and any adjusted fringe benefits total, tax-free pensions or benefits, target foreign income, reportable superannuation contributions and total net investment losses, less any deductible child maintenance expenditure for the year.

Notionally Retained Dependant Tax Offsets

The following tax offsets have been abolished, but have been notionally retained for other purposes (e.g., for calculating a taxpayer's entitlement to the Zone Tax Offset and/or Overseas Forces Tax Offset):

Description	Max Offset $	Max ATI $
First child under 21 (not being a student)	376	1,786
Each other child under 21 (not being a student)	282	1,410
Each student under 25	376	1,786
Sole parent	1,607	N/A

Low Income Tax Offset

Resident individuals (including trustees assessed under S.98 of the ITAA 1936 in respect of presently entitled resident beneficiaries) may be entitled to the Low Income Tax Offset ('LITO').

Taxable Income $	Tax Offset[1]
0 – 37,500	$700
37,501 – 45,000	$700 – (5% of excess over $37,500)
45,001 – 66,667	$325 – (1.5% of excess over $45,000)
66,668+	Nil

1 A minor who is not an 'excepted person' is ineligible to apply the LITO to reduce tax on their unearned (i.e., Div. 6AA) income.

Low and Middle Income Tax Offset

Resident individuals (including trustees assessed under S.98 of the ITAA 1936 in respect of presently entitled resident beneficiaries) may be entitled to the Low and Middle Income Tax Offset ('LMITO').

Taxable Income $	Tax Offset[1]	Plus cost of living Tax Offset
0 – 37,000	$255	$420
37,001 – 48,000	$255 + 7.5% of excess over $37,000	$420
48,001 – 90,000	$1,080	$420
90,001 – 126,000	$1,080 – 3% of excess over $90,000	$420
126,001+	Nil	Nil

1 A minor who is not an 'excepted person' is ineligible to apply LMITO to reduce tax on their unearned (i.e., Div. 6AA) income.

2 The Federal Government announced on 29 March 2022 as part of its budget a once-off $420 'cost of living tax offset' for the 2021/22 income year, which will be provided in the form of an increase to the existing LMITO. This will increase the maximum LMITO benefit to $1,500 for individuals and $3,000 for couples, and will be paid from 1 July 2022 when Australians submit their tax returns for the 2021/22 income year.

Other than those who do not require the full offset to reduce their tax liability to zero, all LMITO recipients will benefit from the full $420 increase. All other features of the LMITO remain unchanged.

To the extent an individual is entitled to an amount of LMITO for the 2021/22 income year under the current law, their entitlement is proposed to be increased by $420, as set out in the above table.

3 The LMITO is not available from the 2022/23 income year.

FAMILY TAX BENEFIT

(Note: Information below is current as at 31/12/2021)

FAMILY TAX BENEFIT - PART A:

Maximum rate of Family Tax Benefit Part A

Aged under 13 years	$191.24
Aged 13-15 years	$248.78
Aged 16-19 years, who meets the study requirements	$248.78
In an approved care organisation aged 0-19 years	$61.46

Base Rate of Family Tax Benefit Part A

For each Child	Per f/night
0 - 19 years of age	$61.46

Note: Payment per year figures include the Family Tax Benefit Part A supplement ($383.25 per family).

Note: FTB A is not Assets tested however Part B will only be available where the combined income is ≤ $80,000

Income limits above which only the base rate of FTB Part A may be paid:

Number of Children aged		13-15 years of age or secondary students 16-19 years of age			
		Nil	One	Two	Three
0-12 years of age	Nil		$ 80,957	n/a	n/a
	One	$ 73,329	$ 98,149	n/a	n/a
	Two	$ 90,520	n/a	n/a	n/a
	Three	n/a	n/a	n/a	n/a

Income limits at which FTB Part A may not be paid:

Number of Children aged		13-15 years of age or secondary students 16-19 years of age			
		Nil	One	Two	Three
0-12 years of age	Nil		$ 105,327	$ 114,732	$ 136,742
	One	$ 105,327	$ 110,790		
	Two	$ 110,790	$ 114,732		
	Three	$ 121,485			

For maximum FTB, Part A combined adjusted taxable income[1] must be $56137 pa or less.
Income over this amount reduces benefit by 20 cents in $1 until base rate is reached.
FTB "A" will stay at Base Rate until combined income reaches $99864 pa.
At this point FTB "A" will decrease by 30cents in $1 until payment reaches nil.

FAMILY TAX BENEFIT - PART B:

Maximum rate of Family Tax Benefit Part B

(For 1 child per family)

Age of Youngest Child	Per fortnight
Under 5 years	$162.54
5-15 year (for 1 child only) (or 16-18 if full time Secondary Student)	$113.54

Sole Parents automatically receive maximum FTB Part "B". For 2 parent families, the income of the main earner cannot be greater than $100,900. For the minor income earner they can earn up to $5,840 taxable income per annum, beyond this amount FTB "B" is reduced by 20 cents in $1.

LOW INCOME HEALTH CARE CARD

Income test when claiming and renewing a card:

Status	Weekly income	Income in an 8 week period
Single, no children	$656.00	$5,248.00
Couple combined, no children	$1,127.00	$9,016.00
Single, one dependent child	$1,127.00	$9,016.00
Couple combined, one child	$1,161.00	$9,288.00
For each extra child, add	$34.00	$272.00

COMMONWEALTH SENIORS HEALTH CARD

Annual adjusted Income[1] limit -
- $144,000 Couples,
- $90,000 Individuals
From 1/7/22

PARENTAL LEAVE PAY (PLP)

The Parental Leave Pay provides a government funded entitlement for working parents who meet the eligibility criteria. If you are the primary carer of a child born or adopted into your care you may have access to Parental Leave Pay at the National Minimum Wage, for up to 18 weeks at $812.45 per week (worth $14,624.10).
Income test for individual—Adjusted Taxable Income[1] of $156,647 or less, not asset tested.
Dad & Partner Pay—A payment of $812.45 per week for two weeks for eligible Dad's & Partners.
For more information go to servicesaustralia.gov.au.

[1] *Adjusted taxable income* is the sum of your:
- Taxable income
- Adjusted Fringe Benefits
- Tax free Government Pensions or Benefits
- Target Foreign Income
- Reportable Super contributions/deductible personal super contributions
- Total net financial and property investment losses
- Income from superannuation account based income streams

AGE PENSION

(Note: Information below is current as at 31/12/2022)

Age Pension

Basic conditions of eligibility
- Men and women are eligible at age 65
- Both men and women born on or after 1 July 1952, see table below:

People born between	Eligible for Age Pension at age
1 July 1952 and 31 December 1953	65 ½
1 January 1954 and 30 June 1955	66
1 July 1955 and 31 December 1956	66 ½
1 January 1957 and later	67

Basic rates:

Status	Fortnight
Single	$900.80*
Member of a couple	$679.00*

*Eligible pensioners may also receive Pension Supplement and Energy Supplement

Age Pension Assets Test

Cuts age pension $3 a fortnight for every $1000 above threshold.

Status	Test threshold	Pension cuts out
Single homeowner	$270,500	$599,750
Single non-homeowner	$487,000	$816,250
Couple homeowners	$405,000	$901,500
Couple non-homeowners	$621,500	$1,118,000

Age Pension Income Test:

	Full pension	No pension*
Status	Fortnight	
Single	$180	$2155*
Couple	$320	$3297

Fortnightly pension cuts out by 50¢ for every dollar of Centrelink-assessable income above income test threshold.
*Likely to be hit by asset test long before income reaches this level.

myGov accounts

- Please note that if you link your ATO account to your myGov account, we will no longer receive paper documents of your Notice of Assessments, quarterly PAYG notices, BAS's etc. You will need to access those documents via your myGov account.

We advise you to unlink your ATO account from your myGov account to avoid missing any important ATO notices.

To unlink your ATO account from your myGov account, go to the "**Services**" page, and select the "**Unlink**" icon next to the ATO service.

DEPRECIATING ASSETS

TEMPORARY FULL EXPENSING TO 30/6/2023

To tackle Covid-19, the government introduced a raft of stimulus measures as a business boost. The main focus being accelerated depreciation write-off.

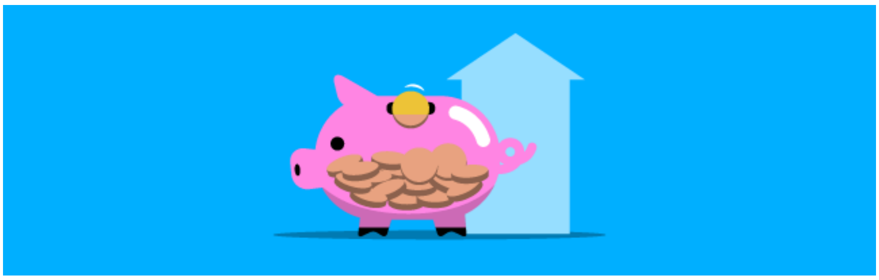
Broadly temporary full expensing allow business to claim an immediate deduction on fully cost of eligible depreciating assets from 06/10/2020, extended to 30/6/2023.

- For businesses with a turnover of <$50M applies to new and second hand assets.
- Note that any items in this temporary full expensing pool will be fully taxable when sold, as it is already written down to nil.
- For items acquired up to 06/10/2020, balancing charge offsets may be available against new plant.

The super guarantee rate increases from 1 July 2022

On 1 July 2022, the super guarantee (SG) rate increased from 10% to 10.5%.

- The rate you're required to use depends on when your employee is paid, not when the income is earnt. This means the new rate will need to be applied to any payments of salary or wages made on and after 1 July 2022, even if some or all of the relevant pay period is before 1 July.
- To prepare for these changes, check your payroll and accounting systems are updated to incorporate the increase to the super rate.
- The SG rate is scheduled to progressively increase to 12% by July 2025.
- 1/7/23—30/6/24 SG rate 11.0%
  1/7/24—30/6/25 SG Rate 11.5%
  1/7/25 onwards SG Rate 12.0%



IMPORTANT COMPLIANCE REQUIREMENTS

- Ensure Trust Income Resolutions are signed and returned (sent separately if applicable).
- Ensure employee 10% superannuation contributions for 30/6/22 are made by 28th July 2022.
- 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 the compulsory superannuation guarantee levy for 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).

  The SG increased from 10% to 10.5% on 1 July 2022 and is set to rise again to 11% on 1 July 2023 for the 2023–24 financial year
- Single Touch Payroll (STP) - started from 1/7/19—Finalisation is required by 14/7 each year
- 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 $3,600pa (5000 business kilometres x 72¢).
- **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 14th July 2022. 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 $45,000 applies.
(Previously 32.5% rate for non residents)
Business’s must register as WHM employer with ATO.

Taxable income	Tax rate	Value
$0 – $45,000	15% on each $1 up to	0.15
$45,001 – $120,000	32.5% on each $1 over	0.325
$120,001 – $180,000	37% on each $1 over	0.37
$180,001 and over	45% on each $1 over	0.45

PRIMARY PRODUCTION TAX TOPICS

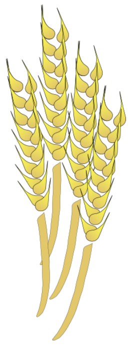
A. Averaging:

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 $120,000, and persons first entering averaging.
A five year average income of $50,000 sets a rate of 13.4%
While a five year average income of $90,000 gives a rate 21.9%, $120,000 rate is $24.55%, (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 $45,000 pa ($865 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 remains at $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 ENTITY CONCESSIONS TURNOVER THRESHOLD

SBE concessions provide very favourable treatment of capital gains in particular, and allow the temporary full expensing write off of eligible assets up to 30/6/23.

The following table provides guidance on which of the aggregated turnover thresholds apply in relation to the SBE concessions being sought by a business taxpayer in the 2022 income year.

Aggregated turnover threshold	SBE concessions a business taxpayer may be eligible to claim
Aggregated turnover of less than $2 million	Access to the **CGT SBCs** contained in Division 152. However, a taxpayer with a turnover of $2 million or more can still claim the CGT SBCs where they can satisfy the $6 million MNAV test.
Aggregated turnover of less than $5 million	Ability to claim the **small business income tax offset ('SBITO')** at the rate of 16% for the 2022 income year (up from 13% in the 2021 income year, although claims are still capped annually to $1,000 per taxpayer).
Aggregated turnover of less than $10 million	Access to the **SBE simplified depreciation rules** in Subdivision 328-D, including the ability to **fully expense** any eligible assets first used, or installed ready for use, from 6 October 2020 until **30 June 2023** (unless the SBE opts out of the SBE simplified depreciation rules). The closing balance of the SBE general small business pool (if any) as at 30 June 2022 must also be **fully deducted** in the 2022 income year.
	Access to the **small business restructure rollover** relief that is contained in Subdivision 328-G.
	The option to account for **GST on a cash basis** and pay GST instalments as calculated by the ATO.
	Access to the ATO's **small business independent review service** in relation to disputes about income tax, GST, excise, luxury car tax, wine equalisation tax and fuel tax credits (in addition to other dispute options).

An eligible small business entity (SBE) can choose the following options to minimise realized capital gains:

- ⇒ 15 year exemption (all gains tax free if help >15years and taxpayer >55).
- ⇒ 50% active asset reduction.
- ⇒ CGT retirement exemption (rollover taxable capital gain CGT component into super fund tax free)
- ⇒ Replacement asset rollover.

Key Super Rates and Thresholds – 2021/22

Complying Superannuation Fund Rates of Tax

Type of Receipt	Rate %
Earnings (except non-arm's length income and exempt pension income)	
- Income received, including realised (non-discount) capital gains	15
- Discount capital gains (asset held more than 12 months)[1]	10
Employer Contributions[2,3]	
- All employer contributions (except any portion covered by S.295-180 choice[4])	15
Personal Contributions[2]	
- Portion covered by S.290-170 notice (of intention to claim a deduction)[3]	15
- All other personal contributions (no S.290-170 notice)	0
Other Contributions	
- Spouse contributions (where contributor cannot deduct the contribution) (S.295-165)	0
- Contributions for minor (not by an employer) (S.295-170)	0
- Government Co-contributions (S.295-170)	0
- Generally, all other contributions (except any portion covered by S.295-180 choice[4])	15
Roll-overs originating from taxable source (e.g., another complying fund)	
- tax-free component and taxable component (taxed element)	0
- taxable component (untaxed element)[5]	15
Non-arm's Length Income (less attributable deductions) – S.295-550	45

1 This is the effective tax rate (calculated as 15% fund rate x two-thirds of discount capital gain).

2 Additional tax applies to contributions received for a member who has not quoted their TFN. However, an offset is generally available if the TFN is provided within three years after the year of the contribution.

3 Additional ('Div. 293') tax of 15% may apply to concessional contributions made in respect of a member whose 'income' exceeds $250,000. The tax is assessed to the member, but they may choose to have the fund pay it.

4 The choice applies to contributions made to a public sector super scheme (except one that commenced after 5 September 2006). The portion of contributions covered by a S.295-180 choice is not assessable.

5 A rollover benefit is taxed in the receiving fund to the extent it is not an 'excess untaxed rollover amount'.

Concessional Contributions - General Cap

Concessional contributions include employer contributions (including contributions made under a salary sacrifice arrangement) and personal contributions claimed as a tax deduction.

Income Year	Cap Amount[1,2]
2021/22	$27,500

1 From 2018/19, individuals with a total superannuation balance of less than $500,000 can make additional concessional contributions if they have unused cap amounts. Unused carried forward amounts expire after five years.

2 Increased from $25,000 from 1 July 2021 as a result of indexation.

Non-concessional Contributions ('NCCs') - General Cap

NCCs include personal contributions for which taxpayers do not claim a tax deduction'.

Income Year	Cap Amount
2021/22	$110,000[1,2]

1 An individual's NCCs cap will be $0 if their Total Superannuation Balance on 30 June 2021 was greater than or equal to the general transfer balance cap of $1.7 million (increased from $1.6 million as from 1 July 2021).

2 Increased from $100,000 as from 1 July 2021, as a result of indexation.

Non-concessional Contributions ('NCCs') - Bring-forward

An individual's NCCs cap may be higher under the 'bring-forward rule', broadly if:

- a NCC is made in excess of the annual cap (e.g., $110,000 for 2021/22);
- the individual is under 67 years of age (increased from 65 years as from 1 July 2020) at any time in the income year in which the rule is first triggered (the 'work test' may also need to be considered)[1]; and
- they are not already in an active bring-forward period.

The period over which the 'bring-forward rule' applies varies, broadly depending on the member's Total Superannuation Balance ('TSB') on 30 June of the income year before the year in which the rule is triggered.

The table below sets out the NCCs cap where the bring-forward rule is triggered in 2021/22 :

Total Superannuation Balance on 30 June 2021	NCCs Cap for the Bring-forward Period[2]	Bring-forward Period
Less than $1.48 million	$330,000	3 years
$1.48 million to less than $1.59 million	$220,000	2 years
$1.59 million to less than $1.7 million	$110,000	N/A (i.e., general NCCs cap applies)
$1.7 million or more	$0	N/A

1 Pursuant to recent legislative changes as from 1 July 2022, individuals up to the age of 75 years (previously 67 years) will be able to make NCCs averaged over three years under the 'bring-forward rule'.

2 NCCs made over the bring-forward period must not exceed the remaining cap. Note also that access to the remaining cap in the second or third year of the bring-forward period is subject to the individual's Total Superannuation Balance on 30 June of the previous income year being less than the general transfer balance cap for that year.

3 The general transfer balance cap (TBC) increased from $1.6 million to $1.7 million as from 1 July 2021. As from 1 July 2021 every individual has their own personal TBC of between $1.6 million and $1.7 million, depending on their circumstances.

CGT Cap Amount

An individual may elect for certain contributions made in connection with applying the CGT small business 15-year or retirement exemptions to count towards their lifetime CGT cap, rather than their non-concessional contributions cap.

Income Year	Amount of Cap
2021/22	$1.615 million

Government Co-contribution

If an individual is a low or middle income earner (and satisfies other eligibility requirements), and makes personal (non-concessional) contributions, the Government will make a co-contribution of $0.50 for every $1 contributed, up to a maximum amount. The co-contribution income thresholds and maximum amount for 2021/22 are as follows:

Total Income[1]	Maximum Co-contribution[2]
$0 - $41,112	$500
$41,113 – $56,111	$500 – [3.333% x (Total Income – $41,112]
$56,112 +	Nil

1 'Total Income' is the sum of assessable income, the reportable fringe benefits total and reportable employer superannuation contributions. If the individual carries on a business, deductions may be taken into account in certain circumstances.

2 An individual is ineligible for a co-contribution for 2021/22 if their non-concessional contributions ('NCCs') exceed their NCC cap or their Total Superannuation Balance on 30 June 2021 is generally $1.7 million or more (increased from $1.6 million as from 1 July 2021).

General Transfer Balance Cap

The general transfer balance cap is used for various purposes, including to determine:

- the total capital amount that can be transferred into the retirement (pension) phase; and
- eligibility for making non-concessional contributions.

Income Year	General Transfer Balance Cap[1]
2021/22	$1.7 million

1 Increased from $1.6 million as from 1 July 2021 as a result of indexation.

Lump Sum Superannuation Benefits – Low Rate Cap Amount

The application of the low rate threshold for superannuation lump sum payments is capped. The low rate cap amount is reduced by any amount previously applied to the low rate threshold.

Income Year	Cap Amount[1]
2021/22	$225,000

1 From 1 July 2022, the low rate cap amount will be $230,000 as a result of indexation.

Superannuation Guarantee Rate

Employers who provide less than a prescribed level of superannuation support (the 'charge percentage') for their eligible employees, will be liable to pay a superannuation guarantee charge based on the shortfall.

Income Year	Charge Percentage[1]
2021/22	10%

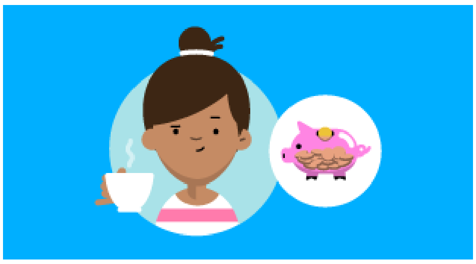
1 From 1 July 2022, the charge percentage will be 10.5%.

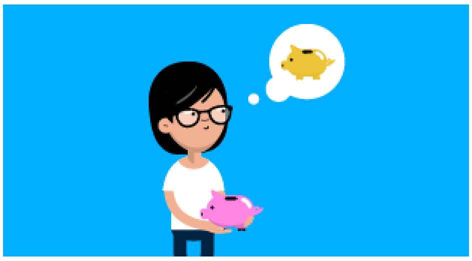
Superannuation Guarantee – Maximum Contributions Base

Income Year	Maximum Employee Earnings (per quarter)[1,2]
2021/22	$58,920

1 For superannuation guarantee purposes, employers do not have to provide superannuation support for a quarter on that part of an individual employee's earnings base above this limit.

2 From 1 July 2022, the maximum contributions base will be $60,220.





TRUSTS

FAMILY TRUSTS ATO NEW SECTION 100A

On 23 February 2022, the Tax Office released a number of documents that outlined a new and very aggressive approach to the taxation of trusts, particularly where trust distributions have not been paid out to a beneficiary, and/or the beneficiary does not receive economic benefit from the distribution.

Under these guidelines, the Tax Office have threatened to effectively reverse certain valid trust distributions and tax these amounts to the trustee of the trust at 47% (as though this income was not distributed to any beneficiary).

These new guidelines may affect trust distributions for the current income year. However, the Tax Office have indicated these guidelines may be applied retrospectively.

Importantly, we believe that trust distributions from your trust(s) were made in accordance with the guidelines that were made available by the Tax Office at the time.

Nonetheless, these new guidelines are a concern because they reflect a direct attack on many common trust arrangements, which may result in your circumstance being considered a higher risk from an audit perspective.

The ATO seeks to apply section 100A where a beneficiary is presently entitled to a share of trust income AND reimbursement agreements/ arrangements apply WHERE benefits flow from the beneficiary to other persons AND the agreement is not in the course of ordinary family or commercial dealings.
(Examples: Trust distribution is “gifted” back, or loaned to other beneficiaries interest free at call)

New ATO compliance guidelines are set out as follows;

- Distribution made before 1/7/14: Guidelines do not generally apply.
- Distributions made prior 1/7/22: ATO stands by existing administrative position.
- After 1/7/22: New compliance guidelines kick in.

The ATO has indicated guidelines that allow Trust Distributions to be low risk.

Retention of funds within the trust will be regarded as low risk if one of the following applies:

- Individual or spouse is Trustee, or
- Individual or spouse controls the Trustee, or
- Individual is “employed” in management of business.

If ATO applies section 100A to invalidate Trust distributions then the Trustee is taxed under section 99A at 47%

ATO AUDIT ACTIVITY

Over the covid years, ATO has taken a more considered and flexible approach, however post pandemic expectation is there will be an upturn in ATO audit compliance activity.
ATO progressively selects audits based on Tax Return data, BAS, STP and lifestyle audits.

RESOLUTION FOR DISTRIBUTION OF TRUST INCOME BY END OF FINANCIAL YEAR
Please ensure the Trust Income Resolution is signed by 30/6/2022, which has been emailed or 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 wwmdow@wn.com.au requesting this.

TECHNOLOGY AND INVESTMENT BOOST FOR SMALL BUSINESSES

To address skills shortages and investment requirements in digital technology, the Government has announced a temporary deduction equivalent to 120% of expenditure incurred on digital adoption and training employees for small businesses.

TECHNOLOGY INVESTMENT

Small businesses will be eligible for an additional 20% deduction for expenditure and purchase costs of depreciable assets on portable payment devices, cyber security systems, adoption of e-invoicing and subscriptions to cloud based services.

There will be an annual cap of $100,000 for expenditure eligible for additional 20% deduction. The measures will be applicable for costs incurred between 7:30pm (AEDT) on 29 March 2022 until 30 June 2023.

The 20% boost on 2022 expenditure will only be claimable in the 2023 income tax return. For the 2023 year, a deduction equivalent to 120% will be claimable in that year's return itself.

SKILLS AND TRAINING

An additional 20% deduction will be claimable for small business entities for costs incurred in providing external training courses for employees. Eligible expenditure must be provided to employees in Australia or online and delivered by entities registered in Australia.

There appears to be no cap on this expenditure and it will be applicable for costs incurred between 7:30pm (AEDT) on 29 March 2022 until 30 June 2023. Similar to the technology investment boost measure, expenditure incurred in the 2022 year will only be claimable in the 2023 year.

PASSENGER VEHICLES EXCLUSION

A car limit applies to any sized business that purchases a passenger vehicle (except a motorcycle or similar vehicle) designed to carry a load of less than one tonne and fewer than 9 passengers. You must reduce the cost of the vehicle to the car limit before calculating your depreciation. You cannot claim the excess cost of the vehicle above the car limit under any other depreciation rules.

The car limit is:

$60,733 for the 2021-22 income year.

Temporary full expensing applies to an entity for an income year if the entity carries on a business and has an aggregated turnover of less then $5 billion for an income year.

A depreciating asset held by an entity qualifies for temporary full expensing if:

- new or second-hand (if it is a second-hand asset, your aggregated turnover is below $50 million);
- the entity starts to hold the asset at or after 2020 Budget time and on or before 30 June 2023; **and**
- the entity starts to use the asset, or have it installed ready for use, for a taxable purpose on or before 30 June 2023.

BUCKET COMPANIES (RATE 25%)

1/7/22 Draft Determinations.

Pre 16/12/09 leave in financials UPE carve out remains.

Sub Trust Loans.
UPE 7yr loan 4.52% interest only & repaid in 7yrs,
or,
UPE 10yr loan 6.51% interest only & repaid in 10yrs.

21/22 Bucket company distribution become coverts to section 3 loan under 109N loan account.
Note:
Repay in full (or enter into 7yr loan agreement) with 23 months.
Or enter into loan act 109N (section 3).

SINGLE TOUCH PAYROLL ("STP")

Real time sharing of STP data by ATO, Services Australia, Centrelink. Phase 2 expands information collected for employees accessing Government benefits.

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.

DIRECTOR IDENTIFICATION NUMBER (Director ID)

Company directors are required by law to apply for a director identification number (director ID).

A director ID is a unique identifier that a director will apply for once and keep forever – which will help prevent the use of false or fraudulent director identities.

All directors of a company, registered Australian body, registered foreign company or Aboriginal and Torres Strait Islander corporation will need a director ID.

Australian Business Registry Services (ABRS) is responsible for delivering the director ID initiative. Visit the ABRS website for more information and to apply.

ASIC is responsible for enforcing director ID offences set out in the *Corporations Act 2001.* It is a criminal offence if directors do not apply on time and penalties may apply.

When to apply

When people must apply for their director ID depends on when they first become a director.

For directors of companies regulated by ASIC and registered under the *Corporations Act 2001*:

- Intending new directors **must apply before being appointed.**
- Directors appointed on or before 31 October 2021 have until **30 November 2022** to apply.
- New directors appointed for the first time between 1 November 2021 and 4 April 2022 had 28 days from their appointment to apply.

Directors of companies regulated by the Office of the Registrar of Indigenous Corporations and registered under the *Corporations (Aboriginal and Torres Strait Islander) Act 2006* have a different time frame in which to apply.

Visit the ABRS website for more information on who needs to apply, when and how.

Frequently asked questions:

1. Are there any changes to existing company notification requirements?

   No. The director ID requirement does not replace or change existing requirements to keep company records updated. For example, directors must still notify their company of changes in address or other details. The company will still need to notify ASIC of any changes for the public record.

2. Am I required to provide my director ID to ASIC or companies?

   Currently there is no requirement to provide your director ID to ASIC or to the companies you're a director of. We'll keep you up to date with changes.

3. What are the director ID offences and penalties?

   ABRS will provide support and guidance to directors to assist them to understand and meet their director ID obligation.

   ASIC's enforcement role covers four new director ID offences under the *Corporations Act 2001.*

Offence	Legislative section	Maximum penalties for individuals
Failure to have a director ID when required to do so	s1272C	$13,200 (criminal); $1,100,000 (civil)
Failure to apply for a director ID when directed by the Registrar	s1272D	$13,200 (criminal); $1,100,000 (civil)
Applying for multiple director IDs	s1272G	$26,640, 1 year imprisonment or both (criminal); $1,100,000 (civil)
Misrepresenting director ID	s1272H	$26,640, 1 year imprisonment or both (criminal); $1,100,000 (civil)