



COLVILLE WILLIAMS & CO. PTY LTD

TAX NEWS

June 2021

Colville Williams & Co Pty Ltd ACN 007 250 231

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Please note: The comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the applicability of the information to their particular circumstances.

Appointment Times

The following times have been allocated for individual tax return preparation:

Fred	Monday	1 pm - 6 pm
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Other times by arrangement, please enquire.

Greg	Monday	2 pm - 5 pm
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Paul	Tuesday	8 am - 11am
	Thursday	2 pm - 5 pm

Lisa	Tuesday	2 pm - 5 pm
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Weechan	Wednesday	2 pm - 5 pm
	Thursday	9 am - 1 pm

Dianne	Wednesday	1 pm - 5 pm
	Thursday	8 am - 11 am
	Friday	9 am - 12

Anthony	Tuesday	1 pm - 5 pm
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Nicholas	Wednesday	9 am - 1 pm
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If you require a face to face appointment we suggest to get in early in case we are subject to Covid lockdown measures.

Merilyn and **Ashlyn** are available to make appointments or assist in any way.

Please do not make an appointment until you have all relevant information. Cancelling appointments in the busy period is unfair to others. Friday appointments will be allocated to whichever accountant is available on the day.

Please direct your email enquiries to our mailbox address:
mail@colville.com.au

FEE

Unfortunately, after keeping our standard tax return fee unchanged for 13 years, we are increasing our standard tax return preparation fee to \$176.

OFFICE HOURS

Our office hours are 8:30am to 5:00pm Monday to Friday.

CAR PARKING

The local council routinely enforce permitted parking times in front of the shops.

We encourage you to take note of parking restrictions and park accordingly. Anyone intending to park for more than half an hour should park in the rear car park.

Contents

Now the real hard work begins...	4
Tax News	5
Personal income tax rates	
Low Income Tax Offsets	
Self-Education Expenses non-deductible excess to be removed	
Company tax rate	
Company Carry-Back Losses	
Capital Expenditure Instant Asset Write Off Extended	
Victorian Business Support Grants Now Tax-Free	
Superannuation News	7
New Auditor Independence Rules	
Investment Strategies	
Financial Planning changes	
Change in SGC Rate	
Super Guarantee Scheme Changes	
Work Test for Super Contributions	
Downsizer Contributions	
First Home Saver Scheme	
Minimum Pensions Halved for 2021	
Business News	10
Job Maker Hiring Credit	
New Director ID Regime	
Changes to the Casual Employee Landscape	
Victorian Wage Theft Laws	
Small Business Insolvency Reforms	
Other News	13
Pandemic Leave Disaster Payment	
Not For Profit Income Tax Exemption Requirements	
SocialL News	
Tax Time Checklist	14

Now the real hard work begins...

As we flagged in last year's newsletter this pandemic is not going to see a quick fix.

The huge amount of Government cash transferred to businesses through the various Federal Government ('JobKeeper Payments' and 'Cash Flow Boost for Employers') and the various State Government schemes have helped to calm things down after the initial panic, and has kept many businesses afloat. This was aided by short term amendments to insolvency laws and rental rules, and historically low interest rates.

These measures appear to be at an end, meaning that the ongoing lockdowns no longer come with a sugar hit of money to offset them.

Eventually we will have to re-open our borders and accept that CoVid, like the flu, is a serious health problem we may all encounter and have to deal.



“ With adversity also comes opportunity for those with the ability and will to think forward. ”

As a practice, we have tried hard to get our clients' 2020 tax and accounting work, and 2021 Activity Statements completed on time, so we can approach the year ahead with a clean slate. There will be many challenges ahead as we assist clients to navigate a major down turn in their revenues as CoVid and its associated health, lockdown and economic impacts continue to cause problems.

With adversity also comes opportunity for those with the ability and will to think forward. The past year has seen accelerated digitization, faster decision making, new operating models, flexibility in staff working conditions, a re-evaluation of business risk and an upswing in sustainable practices. Clients who have embraced these changes are prospering. As much as we would all like to go back to where we were, success requires a positive and open mindset to take advantage of the new normal.

On a practical level we have moved most of our clients to cloud accounting platforms in the past few years and now is the time to start to take advantage of these platforms and their add-ons. As a practice we continue to invest in the training of our staff in these areas, to better assist our clients to make use of their existing accounting information and to consider which add-ons might be useful for them to consider.

As always, we will continue to work closely with all clients to find the best path for them in their individual circumstances.

Tax News

Personal income tax rates

The Federal Government has brought forward 'Stage 2' of its planned tax cuts by two years to 1 July 2020. These changes increase the top threshold for the 19% tax bracket to \$45,000 (up from \$37,000 previously) and the 32.5% bracket to \$120,000 (up from \$90,000 previously).

Taxable income	Tax on this income
\$18,201 to \$45,000	19c for each \$1 over \$18,200
\$45,001 to \$120,000	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001 to \$180,000	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45c for each \$1 over \$180,000

Low Income Tax Offsets

The 'Low Income Tax Offset' (LITO) has increased from \$445 to \$700.

The 'Low and Middle Income Tax Offset' (LMITO) of \$1,080 on incomes of up to \$126,000 has been extended for another year, and is now schedule to end at 30 June 2022.

Self-Education Expenses non-deductible excess to be removed

For many decades the first \$250 of certain self-education expenses have been non-deductible. The Federal Government has announced that it will remove this legislative anomaly and it is likely to be effective for the 2022 financial year.

Company tax rate

The company tax rate has decreased for eligible companies from 27.5% to 26.0% for the 2021 financial year, and will fall further to 25.0% for the 2022 financial year.

Dividends paid in the 2021 financial year will carry franking credits at the Company's prior year tax rate (generally 27.5%), as the legislation assumes that dividends are paid out of a previous financial year's profit.

We have noted in previous editions that this reduced tax rate can be a double-edged sword. While it reduces the cash payment of income tax for the company, it can rob the shareholder of available franking credits in future years. Ironically, companies which qualified for the 'Cash Flow Boost for Employees' or certain (but not all) Victorian

Government grants – both of which are tax free - may be able to use these otherwise wasted franking credits on what would have been unfranked dividends.

Company Carry-Back Losses

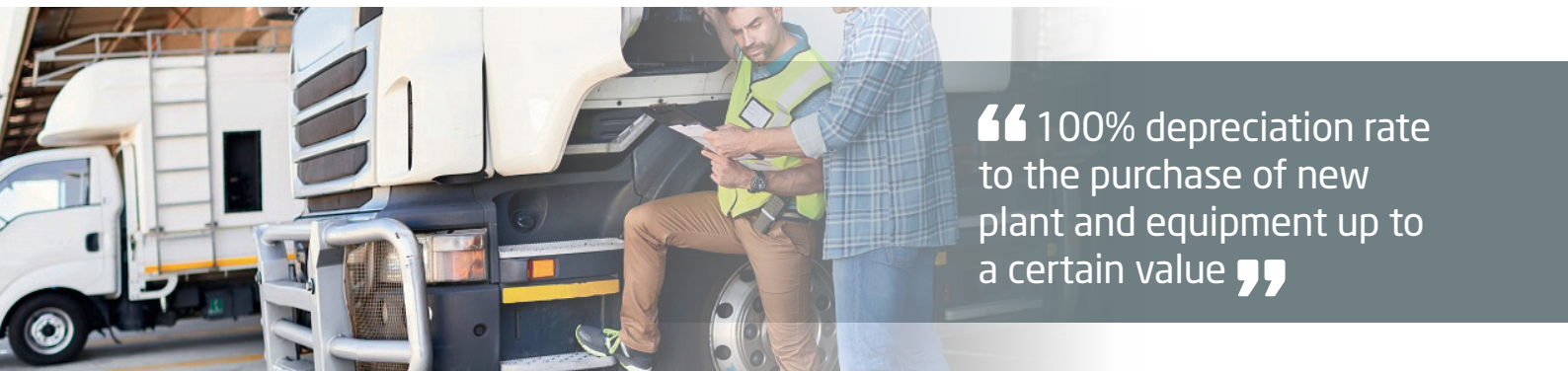
In a throwback to the 2013 financial year, small business companies will be able to carry back losses incurred in the 2020, 2021 and 2022 financial years against previously taxed profits in the 2019 to 2021 financial years. This measure is designed to allow companies who have gone into a loss scenario due to the pandemic to get a refund of tax paid on profits in earlier years.

The measure is built in as a taxpayer company election option in the 2021 and 2022 company tax returns. Hence where there is a current year loss you will have the option to either go back or to carry forward the loss.

This measure works in tandem with the capital expenditure and instant asset write off regime (below) which may generate one off tax losses which can then be claimed back against prior year profits to generate a cash refund – of course any cash refund will only occur to the extent that the prior year tax has actually been paid.

We will discuss the option with clients where relevant.

Capital Expenditure Instant Asset Write Off Extended



“ 100% depreciation rate to the purchase of new plant and equipment up to a certain value ”

Small Businesses have, for several years now, been able to effectively apply a 100% depreciation rate to the purchase of new plant and equipment up to a certain value, a measure which the Federal Government put in place to encourage the acceleration of business investment.

The latest iteration provides for a limit of \$150,000 for qualifying assets purchased between 1 July 2020 and 6 October 2020 and becomes uncapped from 7 October 2020 to 30 June 2022.

There are a plethora of turnover thresholds, small business entity qualification rules, new versus second hand rules and multiple threshold limits to negotiate to use this complicated measure.

As we have previously noted, the write off is only of use if the SME has sufficient profits to write off the accelerated depreciation against and has spare funds or can obtain the finance to purchase the assets.

Victorian Business Support Grants Now Tax-Free

The Federal Government announced back in September 2020 that the Victorian Government's business support grants to assist businesses during the mandated lockdowns will be afforded tax free status. These grants are normally considered to be assessable income but can be specifically exempted by legislation.

Note that these exemptions only apply to grants paid from 13 September 2020 to 30 June 2021

Superannuation News

New Auditor Independence Rules

The powers that be have decided that accounting firms that produce financial accounts and tax returns for Self-Managed Superannuation Funds (SMSF's) can no longer have any role in the audit.

This tightening of the independence rules apply from 1 July 2021.

Accordingly, for the 2021 year onwards we will engage an external auditor on behalf of our SMSF clients, in the same way we engage actuarial firms to provide an actuarial certificate where required.

The overall audit cost will remain largely unchanged (aside from changes in the complexity of a fund).

The change will require us to obtain new audit Engagement Letters and to amend our SMSF accounting service Engagement Letters accordingly. We plan to send these out with the completed 2021 end of year accounts.

Investment Strategies

Most SMSF trustees have a clear understanding in their own minds of how they invest their SMSF funds and have a general investment strategy which encompasses a lot of flexibility.

Unfortunately the SIS Act requires SMSF trustees to PUT IN WRITING the fund's Investment Strategy - in clear terms - taking into account the interests, investment profiles and circumstances of the members, risk and return characteristics, asset composition, insurance needs, liquidity, etc.

Putting an Investment Strategy in writing is actually very helpful in concentrating the

minds of the Trustees on a strategy which can otherwise often be a bit loose and accordingly miss opportunities to invest more wisely, purposefully and successfully.

We highly recommend that you consider taking the time to see us and document a more considered Investment Strategy, bearing in mind that as accountants we are not allowed to make investment recommendations but can use our broad financial skills to educate Trustees on their general investment options.

Financial Planning changes

Since the banking Royal Commission financial planners have been under intense scrutiny and the Federal Government has continued to tinker with a substantially flawed regulatory regime.

The latest changes require licensed financial planners to undertake further studies by 31 December 2021 to maintain their licence. The cost of these studies is considerable and comes in addition to ASIC's tripling of the annual registration fees.

Accordingly, we have taken the difficult decision to cease our 'limited advice' financial planning licence (the regime set up for accountants), Private Financial Advisory Pty Ltd, effective 30 June 2021.

As accountants we are still able to advise and educate in general terms on investments and their related tax and accounting consequences. We have never dealt with recommending specific investment products.

Where clients need specific product placement advice we have access to Luke Elder (Gem Financial) within our office, and Pete Pennicott and Rhiannon Kanoniuk (Pekada Financial Planning) in Greensborough.

Change in SGC Rate

The Superannuation Guarantee rate – unchanged from 9.5% since 1 July 2014 – will increase to 10% effective 1 July 2021.

Employers should ensure the rates in their payroll software have been updated before processing any pay runs in July. In some circumstances the software provider will update their software accordingly.

They will also have to review their employment agreements to determine if they are going to increase an employee's pay package by the extra 0.5% or have the scope and desire to reduce the hourly pay rate to offset the SGC rate increase. This process, and any decisions made here, should involve the relevant employees.

Super Guarantee Scheme Changes

Currently an employer has to offer new employees a 'default fund' option or request fund details if the employee wants to use a different super fund. This has led to employees often having several funds with low balances and often funds losing contact with the employee member.

To try and reduce the proliferation of small balances held over several funds the Federal Government has announced that they are going to effectively 'staple' an individual's super to their Tax File Number.

The exact method is unclear but it likely to involve an integration with the Single Touch Payroll system whereby an employer will be required to 'register' a new employee with the ATO using STP and the ATO will download their super fund details back to the employer.

The government expects this to commence around November 2021

The Federal Government has also announced that it intends to remove the \$450 a month minimum wages threshold before SGC is payable for an employee. This threshold had covered casual employees not doing many shifts in a month or disappearing after just a day or two of work so that an employer did not have to make small contributions.

Again, the timeline for this is uncertain, but will likely commence the next financial year after the legislation is passed.

Work Test for Super Contributions

The age at which the 'work test' came into effect before a taxpayer could make voluntary superannuation contributions, was amended to age 67 with effect from 1 July 2020. The Federal Government has further announced that it will raise this age to 74 from 1 July 2022 for non-concessional or salary sacrificed contributions, presuming it gets through Parliament.

To satisfy a work test an individual is required to work 40 hours in a given 30 day period, before they can voluntarily contribute to superannuation in that financial year. Note however that the existing \$1.6m (\$1.7m from 1 July 2021) Total Super Balance Cap's will continue to apply, along with annual concessional contribution caps.

The changes allow greater opportunity to use super contribution strategies to hold cash or investments more tax-effectively. Whether this is a good strategy is highly dependent on an individual's overall circumstances and should be discussed with ourselves or a financial planner before making the contribution.

Downsizer Contributions

From 1 July 2022 the eligibility age for 'Down Sizer' contributions will be reduced from 65 to 60. These contributions apply when someone sells a house which qualifies as a 'principal residence' and has been held for at least 10 years and provides the ability to make the contribution (in addition to the \$1.6m contributions limit) within 90 days of settling the sale of the property.

First Home Saver Scheme

The maximum amount of contributions that can be released from super under the First Home Super Saver Scheme will be increased from \$30,000 to \$50,000 and applies to voluntary contributions made after 1 July 2017.

The scheme effectively allows someone to make larger tax effective contributions and then ultimately re-draw these contributions to use towards a first home purchase. As such it has limited application as not many young people saving for their first home have either the available funds to make such large contributions or the requirement for the tax deductions on lower levels of income.

Minimum Pensions Halved for 2021

The Prime Minister recently announced at a Liberal Party conference the Federal Government's intention to halve the minimum required pension drawdown rates for another year in the wake of the pandemic.

Apart from the unusual setting for the announcement the resurgence of the share and property markets this year make this a strange policy to pursue.

As usual, where clients receive pensions from their SMSF, we will advise the minimum 2022 pension requirements upon completion of their 2021 Financial Accounts and Income Tax Returns.

Business News

Job Maker Hiring Credit

The Job Maker Hiring Credit has been operating since 7 October 2020 and provides eligible employers with a cash credit of \$200 per week for hiring eligible employees aged 16 – 29 years (\$100 pw if aged 30-35).

It is paid quarterly in arrears. An eligible employee must work a minimum 20 hours per week (averaged over a quarter) and have received Job Seeker, Youth Allowance or Parenting Payment for at least one month out of the three months prior to when they were hired.

The scheme closes on 6 October 2021. We have not seen too much take up of the program, possibly due to the complex eligibility requirements.

From all reports, in circumstances where it has been utilized it has often been at the expense of hiring an older person in similar circumstances but who does not qualify - an unintended consequence of what could be argued is a rushed policy.

New Director ID Regime

In the 2020 Budget the Government announced a program to modernize business registers which included the introduction of a director identification number which is specific to an individual like a Tax File or Australian Business number and carries with them for life.

The legislation to set up this scheme has now been passed and ASIC in particular will be working hard to set up the required verification processes once the law commences operation. It is expected to be fully operational by 2024 but will begin operation (in some form) later this calendar year.

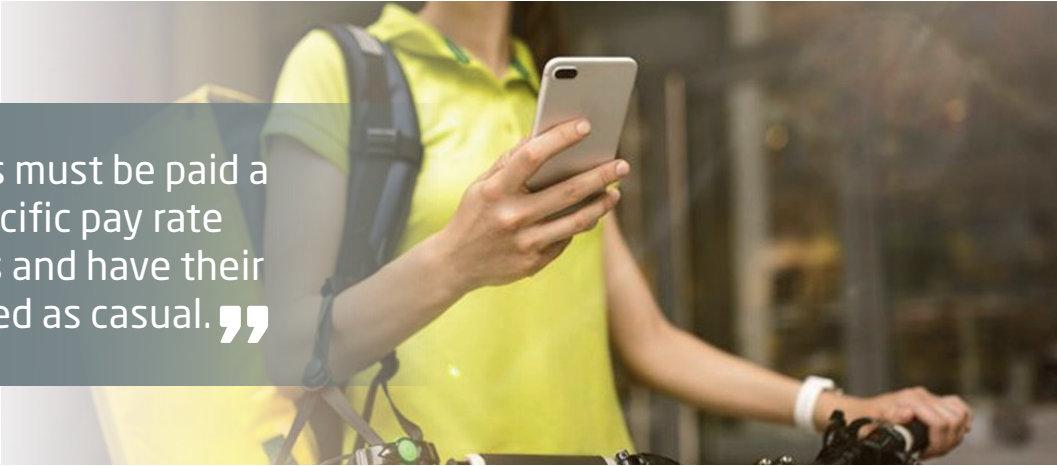
Once the register is up and running we will seek to set up a registration process for clients, possibly aligned with the Company's next ASIC Annual Return.

Changes to the Casual Employee Landscape

Since 27 March 2021 changes to workplace laws took effect relating to casual employees.

An employee is a casual employee if:

- they are offered a job
- the employer makes no firm commitment that the work will continue indefinitely with an agreed pattern
- the employee accepts the offer knowing there is no firm advance commitment



“Casual employees must be paid a casual loading or specific pay rate for casual employees and have their employment described as casual.”

Small businesses with under 15 employees do not have to offer a casual employee the ability to become permanent, but larger employers must make an offer of permanent employment if they have employed the casual employee for more than twelve months, have provided a regular pattern of work for at least six months on an ongoing basis, or if their regular hours could continue as a permanent employee without significant changes.

Casual employees must be paid a casual loading or specific pay rate for casual employees and have their employment described as casual.

In addition, new or existing casual workers must be offered the new Casual Employment Information Statement. The Statement is available on the FairWork Australia website.

Victorian Wage Theft Laws

On 1 July 2021, it becomes a crime for an employer in Victoria to:

- deliberately underpay employees
- dishonestly withhold wages or other employee entitlements
- falsify employee entitlement records to gain a financial advantage
- avoid keeping employee entitlement records to gain a financial advantage.

These crimes are punishable by fines of up to \$200,000 or 10 years imprisonment for individuals or fines of up to \$1 million for companies.

Honest mistakes made by employers who HAVE exercised their due diligence in paying wages and entitlements are not subject to the above change in laws. Non-compliance with the requirements of a regulator (e.g. Fair Work Ombudsman or the ATO) will be taken as evidence that the employer has not taken reasonable steps when exercising its due diligence.

These offences will be investigated and prosecuted by the newly established 'Wage Inspectorate of Victoria' although it is not entirely clear how these changes will interact or overlap within existing Federal laws (governed by Fair Work Ombudsman).

One thing is definitely clear, employers need to show they have exercised their due diligence. This means being proactive by reviewing employee wages and entitlements and making sure the documentation is correct.

Small Business Insolvency Reforms

Effective 1 January 2021 the Government will implement certain insolvency reforms to support small businesses (broadly, those with liabilities under \$1m).

Measures will include a new streamlined process to enable eligible businesses in financial distress to restructure their debt, and/or to simplify the process if a restructure cannot be effected and liquidation is required.

The Government has also been undergoing consultations to review the level of debt owing at which a creditor can issue a statutory demand and commence wind up action against the debtor company.

At present this limit is \$2,000 and was temporarily increased to \$20,000 from March to December 2020.

Other News

Pandemic Leave Disaster Payment

A reminder that a one-off payment of \$1,500 is available where workers are DIRECTED by a State health authority to self-isolate, quarantine or are caring for someone who has tested positive to CoVid.

Not For Profit Income Tax Exemption Requirements

From 1 July 2023 non-charitable not for profits with active ABN's will have to submit a self-assessed continued eligibility application for their income tax exempt status to continue. The requirement will be annual.

Social News

We are sad to announce that **Jackie Murphy** has left us after 3 years, her positive energy and fabulous personality were infectious around the office and she will be missed. We wish her all the best in her new job.

Brett Codling joined the Colville Team as an accountant in August 2020 and had 2 days in the office before we were all working from home. He has just completed his CA (Chartered accountant) and has been a welcome addition to the team.

Anthony Saric has also completed his CA qualifications.

Congratulations to **Kristi Spiteri** who got married in the Blue Mountains this year and is now on maternity leave. Wishing her all the best on this new adventure!

Various staff members tried their hand as unpaid Primary School /Secondary School teachers during the lockdown period. Results were varied.

Staff holidays – We wish!

Can't make it in to see us?

Consider emailing to **mail@colville.com.au**. or use the Colville portal.

We can usually prepare simple returns within the week at no extra cost. Don't forget to include your contact phone numbers or email addresses so we can verify any items with you.

Tax Time Checklist

PERSONAL INFORMATION

- ☐ Bank account details for refunds
- ☐ Home email address

EMPLOYMENT AND PENSION INCOME

Is available via the Tax Agent Portal, however please provide anything you have.

DEDUCTIONS

Diarised Items:

- ☐ Travel - work-related kms
- ☐ Car expenses - petrol
- ☐ Travel - overseas, interstate
- ☐ Home office hours

Receipted Items:

- ☐ Car expenses - Rego, insurance, repairs & petrol
- ☐ Uniforms / footwear / dry cleaning
- ☐ Union fees
- ☐ Membership & Subscriptions
- ☐ Tools of trade
- ☐ Computer, printer, internet
- ☐ Income protection insurance
- ☐ Donations

GENERAL ITEMS

Medical and Superannuation

- ☐ Personal superannuation contributions - Self & spouse
- ☐ Acknowledgement from your super fund regarding your intention to claim for personal super contributions. (Or notice of intension
- ☐ Private Health Insurance Tax Statement

Spouse & Children Details

- ☐ Taxable income
- ☐ Names & dates of birth

INVESTMENTS

- ☐ Interest Income including bank accounts, cash management trusts and term deposits
- ☐ Dividend income
- ☐ Share purchase and sale details
- ☐ Margin Lending loan statements (full year)
- ☐ Managed fund annual tax statements

RENTAL PROPERTIES

- ☐ Estate agent annual statements
- ☐ Rates notices - council and water
- ☐ Insurances
- ☐ Body corporate fees
- ☐ Land tax
- ☐ Repairs and maintenance (invoices)
- ☐ Loan statements (full year)
- ☐ Purchase and / or sale details

Bring your current bank account details (BSB and Account Number)