PRICE ROBERTS + CO

Chartered Accountants

2021 Tax & Superannuation Update

Year-end tax tips

- Subject to cash flow demands, consider deferring income close to year end by delaying invoicing;
- Consider prepaying expenses (eg. insurance, subscriptions and interest) for up to 12 months. Small businesses (turnover less than $10m) can claim expenses prepaid up to 12 months in advance;
- Ensure wages and super paid to family members is reasonable for the work performed;
- Review the value of closing stock as at 30 June (the lower of cost or market selling value is often used);
- Owing money to your company creates Division 7A (deemed dividends and loss of franking credits) issues if it is not either repaid or a complying Division 7A loan (interest and principal repayments) established by the end of the next financial year. Remember taking money out of a company has tax implications (unless it is repayment of funds you have lent the company);
- Self-Managed Superannuation Funds in pension mode should ensure the minimum pension amounts have been paid to members before 30 June. Remember this is currently half the normal amount;
- Discretionary trusts deriving high income might consider the use of a "Bucket Company" to limit tax but it creates restrictions on accessing such funds which might later be taken as dividends;
- Discretionary trusts are required to prepare minutes of meetings advising the distribution of income to their beneficiaries on or before 30 June of the relevant tax year;
- Employers not using STP will need to provide PAYG Payment Summaries by 14 July 2021 and lodge the Annual 2021 PAYG Payment Summary by 14 August 2021;
- Review your asset register to write off any obsolete or destroyed items; and
- Ensure super contributions are received by a fund before 30 June (the ATO advise contributions via its Super Clearing House must be paid by 23rd June).

Budget measures for business

<u>Temporary full expensing extended</u>
The temporary full expensing incentive will be extended for 12 months until 30 June 2023. Temporary full expensing allows businesses with an annual aggregated turnover under $50 million to deduct the full cost of eligible depreciating assets (there are a range of exclusions including buildings and structural improvement or earthworks and some intangible assets such as trademarks and patents).

Temporary full expensing applies to both new and second-hand assets located and principally used in Australia and the deduction can be claimed when the asset is installed and/or ready for use by the end of the financial year. Unless using simplified depreciation, taxpayers can choose not to apply temporary full expensing (but the choice cannot be revoked).

Please confirm your eligibility before committing to any major capital acquisitions or asset financing.

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Superannuation measures

Carry-Forward Concessional Super Contributions

Those aged under 65 with a total super balance of less than $500,000 at the start of the financial year may carry-forward any of their unused annual $25,000 concessional super contribution limits (employer and personal deductible super contributions) from 1 July 2018.

Increase in Contribution Limits

From 1 July 2021 the annual:

- concessional super contribution limit (employer and deductible personal super contributions) is increasing from $25,000 to $27,500 for those aged up to 65, or those aged 65 to 75 and satisfying the work test (working for 40 hours or more within a 30-day period in the year of contribution); and
- Non-concessional super contribution limit (undeducted or tax-free super contributions) is increasing from $100,000 to $110,000.

Consequently, subject to super balance limits, those aged less than 65 during a financial year and using the bring forward concession of the next two years' contributions may make non-concessional contributions of up to $330,000. Note there are restrictions on making non-concessional contributions if you have a high (or deemed high, due to receiving an untaxed government pension) super balance, so please double check your eligibility.

Legacy retirement products

Expected to apply from 1 July 2022 there will be a 2-year period for individuals to convert a specified range of legacy retirement products (market-linked, life-expectancy and lifetime products, but not flexi-pension products or a lifetime product in a large APRA-regulated or public sector defined benefit scheme) together with any associated reserves, to newer, more flexible products (instead of only another like product).

Social security and taxation treatment will not be grandfathered for any new products commenced with commuted funds and the commuted reserves will be taxed as an assessable contribution.

Other superannuation measures announced as part of the Budget and expected to apply from 1 July 2022 include:

- reducing the eligibility age for the downsizer scheme (which allows an additional non-concessional super contribution of up to $300,000 from the proceeds of the sale of their home if held for 10 years or more) from 65 to 60;
- scrapping the work test for those aged 67 to 74 (anticipated to apply from 1 July 2022) for non-concessional contributions; and
- scrapping the requirement for workers to earn at least $450 a month before their employers are obliged to pay super

Increase in Super Guarantee to 10% from 1 July 2021

The SG rate will increase from 9.5% to 10% from 1 July 2021, and by 0.5% per year from 1 July 2022 until it reaches 12% from 1 July 2025.

Please contact our office with any accounting or taxation questions.

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