

Helping you achieve



your financial goals

JUNE 2021

Business Newsletter IN THIS GUIDE...

» Depreciation and Investment Incentives

» Loss Carry-Back Measure for Companies

» 2021 FW Wage increases

» Casual Conversion and STP

» Wage Incentives and JobMaker

» BAS and Super Reporting Calendar

Happy End of Financial Year!

The JSA team is thankful to our clients for the kindness and support you have shown us over the last 12 months as we continue to adapt and adjust to an ever-changing business landscape with you.

The disruption to trade and the resulting stimulus measures continue to provide a level of uncertainty for business moving forward. Many industries such as local retail and food business and construction and supporting trades are experiencing an unexpected boom, complicated by uncertainty around supply chain and difficulty in sourcing staff. Others have and some continue to suffer financially, and we are here for support and reassurance for you.

As importantly we acknowledge the personal and mental strain on business owners in either situation and ask you to reach out should you need assistance in any area that continues to cause you difficulty.

Tax is understandably not a top priority for many of you at the moment however it is important to keep up to date with your BAS, Tax and Super lodgements and any payment plans you have in place with the ATO. The ATO has resumed its debt recovery action and we are seeing fines imposed for late lodgement. Many of these can be negated by engaging with us early to come up with a manageable plan.

Whilst it can be difficult, during such volatile trading conditions we implore you to take time to step back and take check:

- Where do you plan for the business to be, in a year, two, five or ten years?
- Where do you plan to be personally and financially?
- Does the answer to your first question support your second?
- If not, what needs to change? What are your pain points? Can we help?



We are happy to share our knowledge and resources in business management and advisory, including employment, software and systems with you to assist you in getting where you want to be. This often starts with that initial step back and then call us to have a chat to see how we can assist.

We have some new faces around the office. Shimin is an Accountant working with our small business and sole trader clients and Ruby is assisting us with admin duties so you may speak to her on the phone when you call the office.

Bob Julian has decided after 30 years of service that it is time to move away from the calculator and spend more time with his family and on the golf course. Bob will be signing off from 30 June and we wish him and his wife Di a relaxing, healthy and fun filled retirement.

The team at JSA Accounting look forward to working with you in the coming year.

*Jill Hoadley & Jessica Ni, Directors
Amy, Maggie, Harrison, Shimin, Nikki, Jen, Nicolle, Ruby*

BE WARY OF TAX SCAMS

As your registered tax agent, the ATO will typically contact us first about any debt owing. We then check the debt is valid, and if you don't have a payment arrangement in place, we contact you. We will not give the ATO your contact details due to privacy laws unless you authorise us to do so.

If you are contacted directly and you are unsure of or not aware of any debt, please let us know straight away and we can check that this is a legitimate ATO contact.

We may sometimes ask you proof of identity questions if you ring our office and seek personal data over the phone. We appreciate this can be annoying but is most important with the theft of personal information becoming more prevalent.

FEDERAL BUDGET ANNOUNCEMENTS

Super Guarantee Rate increase From 1 July 2021 the super guarantee rate for employees increases to 10%.	You must pay 10% Super guarantee on ordinary time earnings from 1 July 2021. Most software systems will automatically update, however please check with us if unsure.
Removing \$450 per month superannuation guarantee threshold Under the current rules, an employer is not required to pay super guarantee contributions for an employee who earns less than \$450 per month (\$350pm under some awards).	Super Guarantee will apply from the first dollar of ordinary time earnings paid to employees. This change is expected to apply from 1 July 2022 but is not yet legislated. When legislated, software settings may need to be updated.
Extending temporary full expensing Capital asset acquired from 7:30 pm 6 October 2020 and first used or installed by 30 June 2023.	Full expensing in the year of 1st use will apply to new depreciable assets and the cost of improvements to existing eligible assets for businesses with aggregated annual turnover of less than \$5 billion. Full expensing also applies to 2nd hand assets for small and medium sized businesses with aggregated annual turnover of less than \$50 million.
Extending temporary loss carry back Companies with aggregated turnover of less than \$5 billion can carry back tax losses from the 2020 to 2023 income years to offset previously taxed profits in the 2018-19 or later income years.	This will allow eligible businesses to access their losses earlier and generate a refund of previously paid income tax. This measure only applies to companies.

SMALL BUSINESS INCOME TAX OFFSET

The Small Business Income Tax Offset is calculated on your net small business income as a sole trader or from a partnership or trust. It is capped at \$1,000 each year. You are eligible for this offset against any tax paid if your turnover is less than \$5m.

Income year	Aggregated turnover threshold	Rate of offset	Maximum offset
2019 -20	\$5m	8%	\$1,000
2020-21	\$5m	13%	\$1,000
2021-22	\$5m	16%	\$1,000

COMPANY TAX RATES

Base rate entities are eligible for a lower tax rate of 26% for the 2021 financial year and 25% for the 2022 financial year.

A base rate entity is a company that has NO MORE THAN 80% of its income from passive sources, which include certain dividends, associated franking credits, interest, royalties, rent and capital gains.

Franking credits on dividends paid by base rate entities also reduce in line with the reduced corporate tax rate.

STATE GRANTS

On 11 December 2020, ATO legislation passed to treat COVID-19 related business support grants for SME businesses as non-assessable, non-exempt income (NANE income). This means some grant income received between 13 September 2020 and 30 June 2021 may be tax free, such as the 2nd round of the SA State Small Business COVID grants received and the Victorian Business resilience packages. Please note this exemption does not apply to all grants.

BREAKING NEWS – 2021 ANNUAL WAGE REVIEW 2.5%

The Fair Work Commission (FWC) has announced a 2.5% increase to the national minimum wage, bringing the minimum adult permanent wage rate to \$20.33 per hour or \$772.60 for a 38 hour week.

This will also apply to award wages, with the award increase happening in 3 different stages.

Most awards increase from the first full pay period on or after 1/7/21. The Retail Award will increase from 1 September 2021.

21 other awards where the FWC deemed there were exceptional circumstances will increase from 1 November 2021.

These include, amongst others, Amusement Award, Fitness, Hair and Beauty, Hospitality, Registered Clubs, Restaurant and Sporting Organisations Awards along with the airline industry awards and some others.

For full details and to check if your award is in the delayed Nov 21 increase, please visit: <https://www.fairwork.gov.au/about-us/news-and-media-releases/website-news/annual-wage-review-2021>.

DEPRECIATION INCENTIVES FOR BUSINESS ASSET PURCHASES 2021 – 2023

Further budget announcements have extended the ability, and in some instances the requirement, to write-off certain business assets from 6 October 2020.

The date assets are purchased and installed ready for use and the elections required to claim depreciation under the appropriate measure for best outcomes are critical.

Choosing NOT to write-off a large value asset as part of an effective tax plan also requires consideration of particular timing issues and elections to be made in your tax return.

There are two key periods and turnover thresholds that apply:

- 12 March 2020 - 7.30pm AEDT 6 October 2020; AND
- 7.30pm AEDT 6 October 2020 - 30 June 2023

SBE businesses (turnover up to \$10m),

- Broadly, new or second-hand assets purchased prior to 6 October 2020 may be written off if under \$150,000 (COVID measure) along with the requirement to write off an existing SBE pool if the balance is under \$150,000.
- If you choose not to do so, then you may choose to apply the Backing Business Investment measure up to 6 October 2020, only for NEW assets over \$150,000 each, resulting in a 57.5% claim in the first year.
- From the 6 October 2020, any number of assets purchased and installed may be fully expensed at ANY VALUE through to 30 June 2023 and ANY existing General Asset Pool will also be written off at any value.

Medium Business (\$10m-\$50M turnover)

Whilst SBE pooling is not available, the expensing of new and second-hand assets up to \$150,000 is still available between 12 March 2020 - 7.30pm AEDT 6 October 2020.

From 6 October 2020, any number of assets purchased and installed may be fully expensed at ANY VALUE through to 30 June 2023.

Alternatively, you may choose the Backing Business Investment Measure allows for a 50%, 1st year deduction for certain NEW business assets.

If you have asset purchases that allow for a choice in the timing of depreciation claims or are considering such purchases please speak with your Accountant.

WAGE SUBSIDIES FOR APPRENTICES AND TRAINEES

The Government introduced a wage subsidy that will assist small businesses with less than 20 employees to retain apprentices or trainees who were in training with them as at 1 March 2020.

The subsidy is equal to 50% of wages paid to apprentices or trainees between 1 January 2020 and 30 September 2020. The maximum subsidy over the 9-month period is \$21,000 per eligible apprentice or trainee. The subsidy is not payable while the employee is nominated for JobKeeper.

WORKING FROM HOME

There are now 3 methods available for claiming working from home deductions. Speak to your accountant about which method is the most beneficial for you.

Flat rate – 80 cents p/hr – extended to 30 June 2021	Existing 52 cents p/hr – available all year	Actual Portion
<p>The 80c p/hr rate covers all running costs including Internet and Phone.</p> <p>If multiple people are living in the same house and working from home, then the rate of 80c p/hr can be claimed by all eligible members of the household. You do not need to have a dedicated work area at home.</p>	<p>This method will cover heating, cooling, lighting, cleaning. You will be able to separately claim expenses such as your mobile phone and internet use based on the % used for work.</p> <p>A dedicated work area at home is required.</p>	<p>Claim the actual work-related portion of all running expenses which is done on a reasonable basis (usually dedicated office/storage floor area).</p>

You can not claim a combination of the 80c/hr and 52c/hr rate in the 2021 year

JOBKEEPER PAYMENTS ARE TAXABLE

JobKeeper payments are assessable income to the business that receives the payments.

JobKeeper payments received for the June 20 period are included in income for the 2021 tax year.

This income will be offset by a tax deduction for JobKeeper top up amounts and wages paid to employees.

JobKeeper is NOT subject to super guarantee and importantly reduces your remuneration for RTWSA/WorkCover purposes.

For those that have received JobKeeper as an eligible business participant:

- If you operate in a partnership or trust, JobKeeper will contribute to your net partnership or trust distribution.
- If you operate in a company, the JobKeeper payments are assessed at the company level only, separate to any decision to pay wages or dividends to shareholders.

CAR RATES

The ATO deductible rate for vehicle use for business is 72 cents per km from 1 July 2020. This may be different to the c/km rate paid to some employees for work travel under certain awards.



JOBMAKER – NEW HIRES BETWEEN 7 OCTOBER 2020 AND 6 OCTOBER 2021

The JobMaker Hiring Credit scheme is an incentive for businesses to employ additional young job seekers aged 16-35 years. If eligible you may receive \$100-\$200/week per eligible employee.

To be eligible you must experience an uplift in both headcount and total wages paid over set job maker periods.

In addition, each employee must meet certain criteria including:

- Are an employee of the entity during the JobMaker period.
- Are between 16-35 years old (inclusive) when they started employment.
- Started employment on or after 7 October 2020 and before 7 October 2021.
- Worked or have been paid for an average of at least 20 hours per week when employed in the JobMaker period.
- Have completed a JobMaker Hiring Credit employee notice for the employer.
- Have not already provided a JobMaker Hiring Credit employee notice to another current employer.
- Received one of the following payments for at least 28 consecutive days (or two fortnights) in the 84 days (or six fortnights) prior to starting employment:
 - JobSeeker payment
 - Parenting payment
 - Youth Allowance (except if they were receiving the allowance because they were undertaking full-time study or are a new apprentice).

Please contact us for assistance with assessing eligibility, registering and completing JobMaker claims.

CATCH-UP CONCESSIONAL SUPER CONTRIBUTIONS 2020 – 2024

You are still able to take advantage of the catch-up rules through 2021 to 2024 in respect of any unused concessional contribution cap amounts from the 2019 or later income years. The unused contributions may be carried forward and used up within a 5-year period where conditions are satisfied, in particular where your member super balance is less than \$500,000 at the start of the year in which you are making the contribution.

Current income year	Current year CCs cap	Catch-up CCs cap from prior year(s)*	Total CCs cap (including catch-up cap)
2020	\$25,000	\$25,000	\$50,000
2021	\$25,000	\$50,000	\$75,000
2022	\$27,500	\$75,000	\$102,500
2023	\$27,500	\$102,500	\$130,000
2024	\$27,500	\$105,000	\$132,500

**Only unused CCs cap amounts from the 2019 income year can be carried forward under the 'catch-up' concession for CCs. Therefore, any unused CCs cap amounts for the 2018 and earlier income years cannot be carried forward under the catch-up concession, and are therefore lost. Contributions must be made to an eligible fund.*

TAXABLE PAYMENTS ANNUAL REPORTING (TPAR)

If your business provides the following services, they you will need to lodge a Taxable Payments Annual Report (TPAR) by 28 August each year:

- Building and construction services
- Cleaning services
- Courier services
- Road freight services
- Information Technology Services
- Security, Investigation, Surveillance Services
- Mixed services (providing one or more services listed above)
- Some Government entities

For each contractor (business or individual) you must obtain a valid ABN and contact details.

Taxable Payments reports can be lodged through various software systems such as Xero and also via your tax agent or business portal.

NEW – CASUAL CONVERSION RULES FOR EMPLOYEES – ACTION MAY BE REQUIRED BY 27/9/21

The Fair Work Commission has introduced new Casual Conversion rules in response to a Federal Court case WorkPac versus Rossato last year, where a casual employee was deemed entitled to leave and there was no offset against casual loading already paid.

A new definition deems a person is a casual employee if they accept an offer for a job from an employer knowing that there is no firm advance commitment to ongoing work with an agreed pattern of work.

All new casual employees must receive an information sheet found here:

<https://www.fairwork.gov.au/employee-entitlements/types-of-employees/casual-part-time-and-full-time/casual-employees>

Employee choice if eligible:

- If you have over 15 employees you must assess and offer any existing eligible employee casual conversion to those that meet the conditions ON OR BEFORE 27/9/21.
- Moving forward NON SBE employers must also assess eligible casual employees and offer conversion if eligible within 21 days of their 12-month anniversary.
- If you are a Small Business Employer (< 15 employees) then no further action is required but a casual employee can request conversion to part-time if they meet certain criteria.

More information about the process is available on the fact sheet or contact us to discuss the easiest way to assess your employees from your payroll records or review your criteria which determines an employee may be eligible for conversion.

ASIC – DIRECTOR IDENTIFICATION NUMBERS ARE COMING

A newly created Australian Business Registry Services (ABRS) is currently testing implementation of Director Identification Numbers (DIN). If you are a Director selected to assist in the testing phase, we would love to hear from you, please contact Jen to discuss.

The ABRS will:

- Progressively roll out between 2021 and 2024.
- Bring together the 31 registers currently managed by ASIC and the Australian Business Register (ABR) in one place.
- Introduce the Director Identification Number (Director ID) initiative.

What does this mean for Directors of already established companies and Directors of new companies?

It is expected that all current Directors will apply for their DIN by 30 November 2022 and all new Directors after this date will be required to apply for a DIN prior to establishing a company.

Once the testing period is complete, Directors will be able to access the ABRS from their myGovID. You will need to supply a number of identity documents to acquire your DIN. Your DIN will remain with you for life like your TFN.

IMPORTANT NOTE

ASIC/ABRS expects Directors to apply for their DIN's themselves. This can only be done by a third party (Advisor) if the Registry is satisfied that you are unable to make the application on your own behalf.

What is JSA doing to assist?

For the last several months we have been tidying up your records in our ASIC systems. We may ask a few more questions than usual if you are a Director. These will include confirmation that all information recorded in your Annual Company Statement is correct and even asking for proof of identity, even though we may have known you for 20 years! All of this is being done in the lead up to the DIN numbers and making sure your information is clear and ready for your applications.

Have further questions or want to check your information?

We love to assist. Please contact the office and speak with Jen, she will follow up with an ASIC data download, check your company information is correct and confirm back to you.

ASIC FEES AND SERVICES

Your company's Annual Statement is the birthday of your company! Annual Statements are issued on this day every year. You are given 2 months, from this date, to pay your Annual Statement and return your Signed Solvency Resolution. If your Annual Statement review fees are not received within this 2 months, the first late fine of \$83 will be imposed by ASIC. This is not remissible. A further, non-remissible late fine of \$344 will be imposed 1 month after the first late fine

if payment is still not received. Please do not wait until the "due date" or after to pay your ASIC Review fees.

Have questions about Annual Statements or need help with payment reminders?

Speak to Jen, who can explain your responsibilities as a company owner, the importance of returning your Solvency Resolutions and if you would like us to handle the payment of your Annual Review Fees, how we can include this into our Secretarial Services Invoice or Fixed Price Agreements.

ASIC – Company Annual Fees

- ASIC Annual Fees will rise by \$3 up to \$276.
- Late fees are also on the rise. 1st late fee \$83, subsequent late fees \$344.

JSA Secretarial fees will be \$160 from 1 July 2021

This fee is charged when we act as your ASIC agent, we receive your annual statement, check the details, forward to you and will make any required changes during the year.

PERSONAL INCOME TAX RATES AND OFFSET ENTITLEMENT

TAX RATES	2021-24	2025 ONWARDS (PROPOSED)
Nil	Up to \$18,200	Up to \$18,200
19%	\$18,201-\$45,000	\$18,201-\$41,000
30%		\$45,001 – \$200,000
32.50%	\$45,001-\$120,000	
37%	\$120,001-\$180,000	
45%	Above \$180,000	Above \$200,000
LMITO	Up to \$1080	–
LITO	Up to \$700	Up to \$700

*The above rates do not include the Medicare Levy of 2%



SINGLE TOUCH PAYROLL FOR FAMILY MEMBERS AND ASSOCIATES – REPORTING CHANGES FROM 1 JULY 2021

Businesses with closely held employees (i.e. directors, shareholders, trust beneficiaries and family members working in the business) were previously exempt from STP reporting requirements.

From 1 July 2021, payroll amounts for closely held employees must also be reported through STP compliant software each quarter.

The ATO allows you to report quarterly using one of these three methods:

- Report actual payments each pay event (along with your arm's length employees).
- Quarterly report actual payments each pay event.
- Quarterly report based on a reasonable estimate.

Understandably, you may not know what your final wages for the quarter or year will be until you are closer to the end of the financial year, particularly if you declare a combination of wages, dividends or loan money to/from your business.

We consider, for many business owners, a reasonable quarterly estimate is the least compliance heavy and safest option for clients at this stage.

Please contact us for assistance with determining reasonable estimates if you self-report to ensure you meet the criteria and aren't over reporting as STP reporting also triggers Super Guarantee obligations and may trigger an audit if incorrectly estimated.

ATO AUDIT HOT SPOTS FOR THE 2021 YEAR

The ATO has said it will continue to target the cash economy, with a specific focus on businesses that operate in the cleaning, courier, building and construction industries. Where businesses fail to comply with their record-keeping obligations, the ATO will not hesitate to issue default assessments using the 'asset betterment' process to reconstruct a taxpayer's income position.

Taxable Payments Reporting System ('TPRS') – The TPRS is a transparency measure that requires businesses operating within prescribed 'high-risk' industries to report payments made to certain contractors to the ATO. The purpose of these requirements is to target the cash economy and general low compliance within a particular industry.

XERO TIPS AND HINTS

RECONCILING THE BANK ACCOUNT

- Set up rules – this will allow for auto coding of transactions and is a time saver. Ask us how!
- When transferring money between business accounts, code one account first, then open a new window or refresh the screen to code the other side to avoid mismatches between accounts.
- Unless you are keeping a detailed track of Sales and Purchases invoices, then transactions are best entered directly from the bank rec screen using the who / why area for a clear description. Don't create a separate "receive or spend money" transaction if you don't have to as you risk duplicating transactions.
- Review your "suspense" or "other expenses" accounts regularly and before confirming you have finished your data entry for the quarter or year. Ensure any transactions that you are unsure about in these accounts have clear descriptions or send us a query as we will likely ask you for details to resolve these accounts along with invoices for major asset items.

WAGES – 2 STEPS

- All wages paid to employees should be entered through the payroll section, particularly now STP reporting is compulsory.
- When the money comes out of the bank account, allocate it to the wages 'payable or clearing' account, not the expense account.
- Never code personal drawings to wages, code these to your drawings or loan account.

JSA Accounting

Certified Practising Accountants,
Registered Tax Agents

62 Hillier Road
Reynella SA 5161

PO Box 702
Morphett Vale SA 5162

ABN: 48 088 331 739

Edcom Taxation

A division of JSA Accounting

60 Ormond Street
Hindmarsh SA 5007

Contact

T 08 8322 5088
E enquiries@jsaaccounting.com.au



Helping you achieve your financial goals
www.jsaaccounting.com.au