



Newsletter, October 2020

2020/2021 BUDGET UPDATE

Please find below a summary of the some of the more relevant budget announcements that affect taxation.

2021/2022 individual tax rates (also proposed to be backdated to 2020/2021)

Taxable income range	Marginal tax rate
\$ 0 - \$18,200	0%
\$ 18,201 - \$45,000	19%
\$ 45,001 - \$120,000	32.5%
\$120,001 - \$180,000	37%
\$180,001+	45%

These rates exclude the 2% Medicare Levy.

The effective top personal marginal tax rate is 47% including the Medicare Levy.

Low Income Tax Offset increase

From 1 July 2020, it is proposed that the existing tax offset is increased from \$445 to \$700:

Taxable income range	
\$ 0 - \$37,500	= Up to \$700
\$37,501 - \$45,000	= \$700 less 5% of the excess over \$37,500
\$45,001 - \$66,666	= \$325 less 1.5% of the excess over \$45,000
\$66,667+	= \$0

This offset applies in addition to the Low and Middle Income Tax Offset which is currently \$1,080 (maximum) where taxable income is between \$48,000 and \$90,000 (which is set to stop after the 2020/2021 income year).

Small business asset deductions

From 12 May 2015, small business entities are able to immediately write off each eligible business asset they buy costing less than \$20,000 per asset.

From 29 January 2019, the threshold was increased to \$25,000.

From 2 April 2019, the threshold was increased to \$30,000 and made available to medium business entities (with a turnover less than fifty million dollars).

From 12 March 2020 to 30 June 2021, the threshold increased to \$150,000 and mabe available to large business entities (with a turnover less than five hundred million dollars).

From 6 October 2020 to 30 June 2022, the threshold for new business assets will be uncapped and will be available to all business entities with a turnover less than five billion dollars.

Small businesses can also deduct the value of their simplified depreciation pools at the end of the income year where the balance falls under the threshold.

Company loss carry back

Companies with a turnover of less than five billion dollars will be able to elect to carry back losses from the 2020, 2021 or 2022 income years to offset previously taxed profits made in or after the 2019 income year. This will be available in the 2021 and 2022 tax returns and will allow a company to generate a refundable tax offset (as long as the carry back does not generate a franking account deficit).

Employee superannuation

From 1 July 2020, the super guarantee rate will remain at 9.50%.

2020/2021	9.5%
2021/2022	10.0%
2022/2023	10.5%
2023/2024	11.0%
2024/2025	11.5%
2025/2026	12.0%

Access to the bring-forward rules for those aged 65 & 66

From 1 July 2020, individuals aged 65 & 66 are allowed to make up to three years of non-concessional contributions under the bring-forward rule.

Superannuation contribution restrictions

From 1 July 2020, individuals aged:

- 65 to 66 no longer need to meet the “work test” or satisfy the “work test exemption” to make certain superannuation contributions;
- 67 to 74 will need to meet the “work test” or satisfy the “work test exemption” to make certain superannuation contributions.

The work test requires a minimum of 40 hours worked in any 30 day period in the financial year.

The work test exemption allows all individuals aged 67 to 74 with superannuation balances below \$300,000 to make superannuation contributions in the first year that they do not meet the work test requirements.

Increasing the age limit for spouse contributions

From 1 July 2020, individuals up to and including the age of 74 will be able to receive spouse contributions.

Important Dates

The September quarter has now ended so you should be aware of the following dates:

- 28 October 2020 September quarter superannuation due
- 28 October 2020 September quarter Business Activity Statement (BAS) due
- 14 October 2020 September monthly JobKeeper declaration due
- 31 October 2020 JobKeeper extension enrolment and top-up payments due

Did you know that if your Tax Agent lodges your quarterly BAS electronically, you get a four week electronic lodgement and payment concession? This means that the September quarter BAS is due for lodgement and payment by 25 November 2020. Please contact me if I can be of assistance.

Kind regards,
Nick