



Newsletter, May 2021

2021/2022 BUDGET UPDATE

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

2021/2022 individual tax rates

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 and Middle Income Tax Offset

From 1 July 2021, it is proposed that the existing low and middle income tax offset will remain until 30 June 2022. The offset is currently \$1,080 (maximum) where taxable income is between \$48,000 and \$90,000.

This offset applies in addition to the Low Income Tax Offset which is currently \$700 (maximum) where taxable income is below \$37,500.

Self-education expenses

From 1 July 2022, it is proposed that the government will remove the current exclusion of the first \$250 of prescribed courses of self-education expenses.

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 made available to large business entities (with a turnover less than five hundred million dollars).

From 6 October 2020 to 30 June 2023, 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 relevant 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, 2022 or 2023 income years to offset previously taxed profits made in or after the 2019 income year. This will be available in the 2021, 2022 and 2023 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 2021, the super guarantee rate will increase to 10.00%.

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

From 1 July 2022, it is proposed that the \$450 minimum income threshold before super is paid will be removed.

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.

From 1 July 2022, individuals aged 67 to 74 will no longer be required to meet the “work test” when making non-concessional or salary sacrificed contributions (they will also be able to access the bring-forward rule). The “work test” will still apply to concessional contributions.

Important Dates

June 30 is fast approaching so you should ensure that you don't miss out on any tax planning opportunities. Superannuation contributions are critically important as the superannuation contribution limits are based on the amount paid into the superannuation fund during the financial year (not the period that the contribution relates to). If you want to maximise your 2020/2021 superannuation contribution, you need to ensure that the amount has been received by your superannuation fund before June 30 2021.

If you have a SMSF, you should also ensure that any minimum pension payments have been made.

Kind regards,
Nick