



Newsletter – November 2020 Brave New World

The Federal Government is focused on putting money in the hands of the community with the hope that it will boost spending and lift the economy out of recession. So far observations show that many recipients are putting it aside in case of future rainy days unlike the GFC period. It's estimated that in excess of 11 million taxpayers will receive a tax cut backdated to 1 July 2020. A 10 year accelerated infrastructure plan is intended to support an estimated 40,000 new jobs but I fear there is a generation of young graduates that may have to review their career paths. Tourism and regional areas for agriculture will benefit the most and already we see an influx of people moving into the Macedon Ranges. Let's hope it translates to better services for our community.

Business Incentives & Companies

For any business with an aggregated annual turnover of less than \$5 billion, since 6/10/20 and up until 30/6/22 the full cost of an eligible capital asset may be fully deducted. This will be available in the income year it has been initially used or installed ready for use. An outright deduction may also be available for the cost of improvements to existing eligible depreciable assets during this period. Eligible assets include most assets such as cars, machinery, shop fittings but excludes buildings, structural improvements and horticultural plants.

For small and medium sized businesses with an annual turnover of less than \$50 million, all second-hand assets purchased and installed during this period can also be fully deducted. These additional deductions are particularly valuable as eligible companies with losses in the 2020, 2021 & 2022 year can carry back these losses against profits made in or after the 2018-19 year to generate a refund. Small businesses using simplified depreciation pools can also deduct the entire balance of the pool at the end of income year up to 30 June 2022 to access this asset write-off concession.

Working from Home Claims

Many of us are now reviewing our work life balance and if you historically experienced a long daily commute to your workplace, the idea of working from home more regularly (after lockdown is over) would appeal. Real Estate Agents are reporting demand for properties with his and her studies while architects are seeing plans altered to avoid working from the kitchen table. In order to reduce costs, large companies are reviewing their lease arrangements and encouraging employees to work from home now that they are confident of ongoing productivity. If you are a small business owner, there are a number of tax breaks that you can take advantage of by working from home. They include, if your home is a place of business:-

- a portion of occupancy costs such as home loan interest, rates, insurance, rent, depreciation on fixtures and building write off. Once your home is a place of business you are also liable for Capital Gains Tax for the portion used in the business (whether or not you claim the expenses) but can be largely offset by accessing the Small Business CGT Concessions.

If you are a salary and wage earner, the claims that you can make are more limited but they include:-

- claiming depreciation on equipment, a portion of internet, mobile and fixed phone, heating, electricity or claiming up to 80 cents per hour. Businesses can also claim these costs.

Regardless of which category you fall into, it will be necessary to keep all invoices including mobile phone, internet usage, rates, electricity & gas bills as well as details of how much time each week you worked from home. This information all contributes to supporting your claims.

JobMaker

For eligible employers, you can get a hiring credit for each additional employee from now until 6 Oct 2021. It is for a 12 month duration and capped at \$10,400 for each additional position. You would potentially receive a weekly contribution of \$200 for new employees aged between 16-29 or \$100 for those aged between 30-35 years with a minimum of 20 hours per week averaged over a quarter. The talent pool must have received JobSeeker, Youth Allowance (Other) or Parenting Payment for at least one out of the three months prior to employment commencing. Payment would be claimed quarterly in arrears from the ATO starting from 1 Feb 2021. The total employee headcount and payroll needs to increase. (you can't just replace a staff member). Payment received may be affected by a change in payroll. Being registered for PAYG withholding and reporting through Single Touch Payroll is also necessary. Receiving JobKeeper payments rules you out of this opportunity.

The Apprenticeship wage subsidy announced in the July 2020 Economic & Fiscal Update will be expanded to allow eligible businesses that employ apprentices or trainees to receive up to a 50% wage subsidy / \$7,000 per quarter which is capped at 100,000 places. The measure has started and will continue until 30 Sep 2021.

Super

To avoid transient workers accumulating super funds and incurring unnecessary duplication of fees, employers will pay their superannuation contributions to their existing fund should an employee not nominate a fund. Super fund details will be "stapled" to an individual and employers will be able to obtain new employees' superannuation fund details from the ATO.

Unfortunately Self Funded retirees' income has been crimped due to returns from term deposits being affected by record low interest rates and receive no relief in this budget.

Taxpayers

Stage Two of the legislated tax cuts will be brought forward by two years to July 2020, lifting the 19 per cent threshold from \$37,000 to \$45,000 and the 32.5% threshold from \$90,000 to \$120,000. These changes mean that an employee on \$50,000 will be \$1,080 better off in 2020-21 whilst an employee on \$120,000 will be \$2,430 better off when compared to 2019-20.

As part of the budget a tax cut was announced which has been back dated to 1 July 2020. In order to get the benefit of this tax cut to individuals as soon as possible new tax tables for PAYG Withholding will be coming into effect 13 October 2020. The amount of tax to be withheld from salaries and wages has been decreased such that by the end of the year the correct amount of tax in total should have been withheld for the lower tax rates now applicable to the 2021 financial year. Payroll software should automatically update with these new tax tables but if you are still manually calculating your PAYG withholding please make sure that you adjust the tax you are withholding for your employees.

Social Security

Two separate \$250 economic support payments in (1) November 2020 and (2) early 2021 are to be paid to those on the aged pension, disability support pension, carer payment & allowance, Family Tax Benefit, Pensioner Concession Card Holder, Commonwealth Seniors Health Card Holder, eligible Veteran's Affairs payment recipients & concession card holders. The payments will be exempt from tax.

A one-off payment of [\\$1,500 will be made to eligible workers](#) who have had to quarantine in states that have agreed to partner with the Commonwealth under the Pandemic Leave Disaster payment arrangements. It is set up to assist individuals who are unable to work and earn income while under a direction to self-isolate, quarantine or who are caring for someone who has tested positive to COVID-19. Also [\\$450 payment](#) for those having to take time off isolating awaiting test results is available. These payment arrangements have had a direct impact on reducing the infection numbers in our community. Good news at last for those who have had the most anxiety during COVID lockdown!

Job Keeper 1 Update – 28 September until December 2020

By now you would be aware of the reduction in the Job Keeper payments. Rather than the earlier flat rate, you need to assess each employee individually based on the hours spent performing their role in February or June this year. There are alternative tests available depending on circumstances. Again, you will need to [demonstrate your actual GST turnover has declined](#) by over 30% in the September 2020 quarter relative to the same 2019 quarter. For those who are interested in applying, it's a far more complicated process to estimate your eligibility so please reach out to us for assistance. Job Keeper 2 runs at a lower rate for January, February and March 2021 based on a 30% drop in December 2020 quarter turnover.

Business Support Grants

The Victorian Business Support Grants which have been successfully applied for on behalf of many of our clients have now been ruled non-assessable, non-exempt (NANE) income for tax purposes. This applies to grants that were announced after 13/9/20 and until FY 2021 and makes the payments exempt from tax.

Why recent Year 12 Students or Undergraduates should consider taking a GAP year

If you have a young adult that is unsure about what steps they should take in their studies or career, from 1 December 2020 those who earn at least \$15,000 in the agriculture industry until 31 December 2021, will be automatically assessed as meeting independence requirements provided their parents meet current parenting income test requirements for receiving youth allowance. If your young person has a thirst for adventure and their plans for overseas travel has been put on hold indefinitely, this is a great opportunity to have a look around Australia and set themselves up to be financially independent throughout their studies.

Existing Students

The independence test for Youth Allowance and ABSTUDY will be temporarily revised from 1 Jan 2021. The exemption takes into consideration the six month period between 25 March-24 September 2020, automatically recognizing it as contributing to an applicant's independence test, regardless of whether they meet employment requirements.

New Insolvency Rules from [Jane Ayers](#), Director of [KordaMentha](#)

The Commonwealth has announced a package of reforms designed to streamline insolvency processes for small business. These reforms include a new debt restructuring process, a simplified liquidation process (designed to reduce the cost of liquidations and restructures for Small to Medium Enterprises ('SMEs')). Of note, the proposed SME debt restructuring process allows directors to retain control of the business whilst undertaking a restructure. To access the proposed scheme, business must have liabilities of less than \$1 million and have certain statutory liabilities paid.

In addition, temporary measures increase to the minimum threshold at which creditors can issue a statutory demand against a company (to \$20,000) has been extended to 31 December 2020. Similar measures have been extended for the bankruptcy notice for debts owed by individuals. The [Bankruptcy Notice](#) from the Australian Financial Security Authority may help with more information on debt recovery.

If your business is experiencing financial distress, we recommend:

1. Acting early to preserve optionality and increase the chance of the business' survival
2. Engaging with lenders for open and honest conversations about your situation – they may be able to assist
3. Obtaining advice from appropriately qualified advisors with experience in insolvency, restructuring and turnaround situations.

Do you need Rental Assistance?

If you are struggling with meeting your rental obligations because you've lost your job or had working hours reduced as part of COVID-19, there is [help available](#). For those of you with university student children living away from home without their normal income, this can relieve the stress of being behind on payments and allow them to focus on their studies until the situation eases.

Christmas Holiday Dates

Please note that our office will be closed from the close of business on Tuesday 22 December 2020 and reopen on Monday 11 January 2021. All end of year commitments will be attended to prior, however if you have something coming up that you would like to discuss, please make an appointment well before this. While you are having some down time on your holiday, please think about what financial goals you would like to achieve in the 2021 year. Together we can discuss how to make them happen on our return. Julie-Anne & I thank you for your support of our business during 2020 and together with Joedy and Jennifer, wish you and your family a very Happy and Safe Christmas break.



Our energetic, knowledgeable and caring approach gives peace of mind.
If you need further information or to discuss your specific circumstances, please call David at our office.

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