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# BUSINESS BULLETIN

WINTER 2021

## BUDGET **Wrap for Business**

The Budget was relatively quiet on the business front this year, with only a few notable measures:

### **Full Expensing Extended**

Temporary full expensing will now be available until 30 June 2023. It was originally due to end 12-months earlier on 30 June 2022. Temporary full expensing allows eligible businesses with aggregated annual turnover or total income of up to \$5 billion to deduct the full cost of eligible depreciable assets. Assets must be acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.

The 12-month extension will provide eligible businesses with more time to access the incentive, including projects that require longer planning times and those affected by COVID-19 related supply disruptions.

It assists cashflow by enabling businesses to claim depreciation deductions immediately, rather than potentially having to depreciate assets over a number of years.

### **Temporary Loss Carry-Back Expanded**

Temporary loss carry-back will also be extended by one year. This will allow eligible companies to carry-back tax losses from the 2022-23 income year to offset previously taxed profits as far back as the 2018-19 income year.

Companies with aggregated annual turnover of up to \$5 billion can apply tax losses incurred during the 2019-20, 2020-21, 2021-22 and now the 2022-23 income years to offset tax paid in 2018-19 or later years. The tax refund will be available to companies when they lodge their 2020-21, 2021-22 and now 2022-23 tax returns.

This will help increase cash flow for businesses in future years and support companies that were profitable and paying tax but find themselves in a loss position as a result of the COVID-19 pandemic. Temporary loss carry-back also complements the temporary full expensing measure by allowing more companies to take advantage of expensing, while it is available.

## KEY DATES

### **21 JUNE**

Lodge May monthly Activity Statements

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### **1 JULY**

Start of the 2021/22 financial year

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### **14 JULY**

Provide payment summaries to employees if required

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### **21 JULY**

Lodge June monthly Activity Statements

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### **28 JULY**

Make Superannuation Guarantee contributions

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### **11 AUGUST**

Lodge 4th quarter Activity Statements (if lodging by electronically)

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### **14 AUGUST**

Lodge PAYG withholding payment summary annual report if required

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### **21 AUGUST**

Lodge July monthly Activity Statements

### Treasury Example

Top Packaging Pty Ltd (Top Packaging), a packaging company, decides in December 2021 to expand its operations. However, the new machinery ordered from overseas will not be available to be installed until August 2022. Top Packaging is relying on being able to fully expense the new machines and claim a tax refund through loss carry-back to help finance the expansion. Without the extension to temporary full expensing and temporary loss carry-back, Top Packaging would not be able to benefit from the incentives and would not be able to expand

### Digital economy strategy - self assess the effective life of intangible assets

The Government will allow taxpayers to self-assess the effective life of certain depreciating intangible assets for tax purposes, rather than being required to use the effective life currently prescribed by statute.

This will apply to patents, registered designs, copyrights, in-house software, licenses and telecommunications site access rights. Taxpayers will be able to bring deductions forward if they self-assess the assets as having a shorter effective life than the current statutory life. This change will reduce the cost of investment for business, and align the tax treatment of these intangible assets with the treatment of tangible assets.

Taxpayers will continue to have the option to use the existing statutory effective life when depreciating these assets.

This will apply to eligible assets acquired following the completion of temporary full expensing, which has been extended and will now end on 30 June 2023.



### Treasury Example

Australis Aeronautics Pty Ltd (Australis) specialises in agriculture drones. Australis develops in-house flight guidance software worth \$5 million. However, the rapid improvements in drone technology means Australis believes the software will need to be replaced in 4 years. The statutory effective life of in-house software is 5 years.

Without being able to self-assess, Australis would only be able to deduct \$1 million a year in depreciation costs (using the prime cost method of depreciation). Thanks to the measure, Australis can now self-assess the software's effective life as 4 years, increasing the deduction by \$250,000 in the first year to \$1.25 million. Australis can now bring forward its deductions and use the improved cash flow to support developing the next software

### ATO Power to Pause Debt Recovery Action



In a little publicised but welcome announcement made in this year's Budget, taxpayers who are indebted to the ATO but who have a dispute over their assessment at the AAT, will be able to apply to the AAT to have ATO debt recovery action paused or modified. The proposition is that recovery action would be stayed until the underlying dispute is resolved by the AAT.

The announcement is silent as to what happens where a taxpayer is unsuccessful before the AAT and decides to appeal to the Federal Court – presumably, the government considers that taxpayers with the means to pursue that avenue will be able to make their own arrangements with the ATO.

The ATO has for many years allowed most taxpayers to pay only 50% of the tax in dispute in the case of unresolved objections or appeals, although legally the full amount shown on the notice of assessment is payable by the due date. This has applied even where the amounts involved are quite large. The ability to defer the full amount of tax in dispute for small businesses represents a significant improvement over this practice, and also takes the decision out of the hands of the ATO.

These new powers will apply only to small business entities – i.e. individuals and other entities with an aggregated turnover of less than \$10 million per year. Taxpayers can apply to the AAT for a pause/modification in relation to appeals that are lodged with the AAT from the date of Royal Assent of the relevant legislation.

## Super Guarantee Rate Increased

The superannuation guarantee rate (currently at 9.5%) will increase to 10% from 1 July 2021, as part of the already legislated plan to increase it to 12% over the coming years as follows:

Period	General super guarantee (%)	Super guarantee (%) for Norfolk Island (transitional rate)
1 July 2020 – 30 June 2021	9.50	5
1 July 2021 – 30 June 2022	10.00	6
1 July 2022 – 30 June 2023	10.50	7
1 July 2023 – 30 June 2024	11.00	8
1 July 2024 – 30 June 2025	11.50	9
1 July 2025 – 30 June 2026	12.00	10
1 July 2026 – 30 June 2027	12.00	11
1 July 2027 – 30 June 2028 and onwards	12.00	12

Further on Super Guarantee, in the Federal Budget, the Government also abolished the exemption for low-income earners. The Superannuation Guarantee \$450 per month eligibility threshold will be removed from 1 July 2022. As a result, employers will be required to make quarterly SG contributions on behalf of such low-income employees earning less than \$450 per month (unless another Super Guarantee exemption applies). These other exemptions include:

- people you pay to do work of a domestic or private nature for less than 30 hours per week
- non-resident employees you pay for work they do outside Australia
- some foreign executives who hold certain visas or entry permits
- members of the army, naval or air force reserve for work carried out in that role
- employees who opt out of receiving super if you're covered by an SG employer shortfall exemption certificate in relation to the employee for the quarter
- employees temporarily working in Australia who are covered by a bilateral super agreement – you must keep a copy of the employee's certificate of coverage to verify the exemption.