SamarasLawyers

April 2021

April Tax Notes

Company tax rate

The tax rate for companies with an aggregated turnover under $50 million will reduce from 26% to 25% from 1 July 2021. The tax rate for other companies will remain at 30%.

Employees now have more choice with super

Changes to the law mean new workplace determinations and enterprise agreements made on or after 1 January 2021 must offer employees the right to choose the super fund to which your business pays their compulsory super contributions.

Once a new determination or agreement is in place, your business will need to offer choice of super fund to:

- Existing employees who request to choose their super fund;
- All new employees;

Employees can nominate their chosen fund by completing the standard choice form through ATO online services linked to their myGov account.

Alternatively, your business can give its employees a Superannuation standard choice form to complete. Your business must then pay the employee's compulsory super to their nominated fund.

If an employee doesn't nominate a fund, your business can continue to pay their super to the same fund it previously contributed to, or into the default fund.

Check your PAYG instalments

Now is a good time to check your pay as you go (PAYG) instalments still reflect your expected end of year tax liability.

If your circumstances have changed and you think you will pay too much (or too little) in instalments for the year, you can vary the instalments on the next activity statement.

Taren Point: Suite 5C, 1 Box Road, Taren Point NSW 2229
Sydney CBD: Level 35, International Tower One, 100 Barangaroo Avenue, Sydney NSW 2000
All correspondence: PO Box 2717 Taren Point NSW 2229
T: 02 9247 1111 | **F:** 02 9247 2222 | **E**: office@samaraslawyers.com.au
W: www.samaraslawyers.com.au

Instalments can be varied multiple times throughout the year. The varied amount or rate will apply for the remaining instalments for the tax year or until another variation is made.

If you are affected by COVID-19, the ATO has said it will not apply penalties or charge interest to varied instalments relating to the current tax year (2020–21). This applies when you have made your best attempt to estimate your end of year tax liability.

If you vary an amount or rate, you will no longer receive paper activity statements and instalment notices. These will be issued electronically. You will need to consider this when deciding how to lodge, revise and vary future activity statements and instalment amounts.

Small business tax offset

A sole trader, an individual who is a partner in a partnership and an individual who is a beneficiary of a trust may qualify for the small business tax offset if the sole trader, partnership or trust qualifies as a small business (total annual turnover under $10m). The offset is not available to an individual acting as a trustee.

The offset for the current tax year (2020–21) is equal to 13% of the income tax payable on the person's taxable income that qualifies as their net small business income (the rate will increase to 16% from the 2021–22 tax year, i.e. the tax year beginning on 1 July this year). The offset is capped at $1,000.

STP reporting

Employers should be reporting through Single Touch Payroll (STP) unless they only have closely held payees, or they are covered by a deferral or exemption.

There are some changes to STP reporting from 1 July 2021:

- small employers (less than 20 employees) with closely held payees must report their closely held payees through STP. You can choose to report these payees each pay day, monthly or quarterly;
- the STP quarterly reporting concessions for micro employers (less than 5 employees) will only be available to employers who meet certain eligibility requirements, including the need for exceptional circumstances to exist. Employers can apply for this concession through the online deferral tool from 1 July 2021.

A closely held payee is an individual directly related to the entity from which they receive payments, e.g.:

- Family members of a family business;
- Directors or shareholders of a company;
- Beneficiaries of a trust.

Further changes will start on 1 January 2022. We will advise you of those nearer the date.

Tip! If you are an employer and you have not started reporting through STP but you do not have a deferral or exemption, you need to start reporting now.

Low and middle income offset

The low and middle income offset (LMITO) is due to be scrapped from 1 July 2021, so it will not be available as from the 2021–22 tax year. LMITO is available for all taxpayers whose taxable income is below $126,000. The maximum amount is $1,080. Taxpayers whose taxable income is in the $48,001-$90,000 range are eligible for the maximum.

Taxable income	Amount of LMITO
$0 – $37,000	$255
$37,001 - $48,000	$255, plus 7.5% of the excess
$48,001 - $90,000	$1,080
$90,001 - 126,000	$1,080, less 3% of the excess
$126,001 +	Nil

If you will receive LMITO for the current tax year, you will lose it (and thus pay more tax) next year. The Budget will be handed down on 11 May.

Insolvency reforms

Important changes to Australia's insolvency laws commenced on 1 January 2021. The Assistant Treasurer has said that they are the most important changes to Australia's insolvency framework in 30 years.

The changes introduce a new, simplified debt restructuring process for eligible small businesses. The process allows financially distressed small businesses to access a single, streamlined process to restructure their debts, while allowing the owners to remain in control of their business. The Government has said that this will support more small businesses to survive, meaning better outcomes for businesses, creditors, employees and the economy.

George Samaras
Principal
gsamaras@samaraslawyers.com.au

Taxation, Family and Business Lawyers