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Temporary full expensing extension

Date of effect	Assets acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023

Businesses with an aggregated turnover of less than $5 billion will be able to continue to fully expense the cost of new depreciable assets and the cost of improvements to existing eligible assets in the first year of use. Introduced in the 2020-21 Budget, this measure will enable an asset's cost to continue to be fully deductible upfront rather than being claimed over the asset's life, regardless of the cost of the asset. The extension means that the rules can apply to assets that are first used or installed ready for use by 30 June 2023.

Certain expenditure is excluded from this measure, such as improvements to land or buildings that are not treated as plant or as separate depreciating assets in their own right. Expenditure on these improvements would still normally be claimed at 2.5% or 4% per year.

The car limit will continue to place a cap on the deductions that can be claimed for luxury cars.

From 1 July 2023, normal depreciation arrangements will apply and the instant asset write-off threshold for small businesses with turnover of less than $10 million will revert back to $1,000

Second-hand assets
For businesses with an aggregated turnover under $50 million, full expensing also applies to second-hand assets.

Small business pooling
Small business entities (with aggregated annual turnover of less than $10 million) using the simplified depreciation rules can deduct the full balance of their simplified depreciation pool at the end of the income year while full expensing applies. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they voluntarily leave the system will presumably continue to be suspended.

Opt-out rules
Taxpayers can choose not to apply the temporary full expensing rules to specific assets, although this choice is not currently available to small business entities that choose to apply the simplified depreciation rules for the relevant income year.

Tax exemption for storm and flood grants for SMEs and primary producers

Date of effect	Grants relating to storm and flood events between 19 February and 31 March 2021

Qualifying grants made to primary producers and small businesses affected by the storms and floods will be non-assessable non-exempt income for tax purposes. Qualifying grants are Category D grants provided under the Disaster Recovery Funding Arrangements 2018, where those grants relate to the storms and floods in Australia during the period 19 February to 31 March 2021. These include small business recovery grants of up to $50,000 and primary producer recovery grants of up to $75,000.

Temporary loss carry back extension

Date of effect	Losses from the 2019-20, 2020-21, 2021-22 or 2022-23 income years

Companies with an aggregated turnover of less than $5 billion will be able to carry back losses from the 2019-20, 2020-21, 2021-22 and 2022-23 income years to offset previously taxed profits in the 2018-19, 2019-20, 2020-21 and 2021-22 income years.

Under this measure tax losses can be applied against taxed profits in a previous year, generating a refundable tax offset in the year in which the loss is made. The amount carried back can be no more than the earlier taxed profits, limiting the refund by the company's tax liabilities in the profit years. Further, the carry back cannot generate a franking account deficit meaning that the refund is further limited by the company's franking account balance.

The tax refund will be available on election by eligible businesses when they lodge their 2020-21, 2021-22 and 2022-23 tax returns.

Before the measure was introduced in the 2020-21 Budget, companies were required to carry losses forward to offset profits in future years. Companies that do not elect to carry back losses can still carry losses forward as normal.

This measure will interact with the Government's announcement to extend full expensing of investments in depreciating assets for another year. The new investment will generate significant tax losses in some cases which can then be carried bac9k to generate cash refunds for eligible companies.

2% deposit home loans for single parents

Date of effect	1 July 2021

The Government will guarantee 10,000 single parents with dependants to enable them to access a home loan with a deposit as low as 2% under the **Family Home Guarantee**. Similar to the first home loan deposit scheme, the program will guarantee the additional 18% normally required for a deposit without lenders mortgage insurance.

The Family Home Guarantee is aimed at single parents with dependants, regardless of whether that single parent is a first home buyer or previous owner-occupier. Applicants must be Australian citizens, at least 18 years of age and have an annual taxable income of no more than $125,000.

5% deposit home loans for first home buyers

Date of effect	1 July 2021 to 30 June 2022

The First Home Loan Deposit Scheme will be extended by another 10,000 places from 1 July 2021 to 30 June 2022. Eligible first home buyers can build a new home with a deposit of as little as 5% (lenders criteria apply). The Government guarantees a participating lender up to 15% of the value of the property purchased that is financed by an eligible first home buyer's home loan.

Under the scheme, first home buyers can build or purchase a new home, including newly-constructed dwellings, off-the-plan dwellings, house and land packages, land and a separate contract to build a new home, and can be used in conjunction with other schemes and concessions for first home buyers. Conditions and timeframes apply.

Low and middle income tax offset extended

Date of effect	From 1 July 2021 to 30 June 2022

As widely predicted, the Low and Middle Income Tax Offset (LMITO) will be extended for another year. The LMITO provides a reduction in tax of up to $1,080 for individuals with a taxable income of up to $126,000 and will be retained for the 2021-22 year.

Taxable income	Offset
$37,000 or less	$255
Between $37,001 and $48,000	$255 plus 7.5 cents for every dollar above $37,000, up to a maximum of $1,080
Between $48,001 and $90,000	$1,080
Between $90,001 and $126,000	$1,080 minus 3 cents for every dollar of the amount above $90,000

The tax offset is triggered when a taxpayer lodges their tax return.

Medicare levy low income threshold

Date of effect	From 1 July 2020

The Government will increase the Medicare levy low-income thresholds for singles, families, and seniors and pensioners from 1 July 2020 to take account of recent movements in the CPI so that low-income taxpayers generally continue to be exempt from paying the Medicare levy.

	2019-20	2020-21
Singles	$22,801	$23,226
Family threshold	$38,474	$39,167
Single seniors and pensioners	$36,056	$36,705
Family threshold for seniors and pensioners	$50,191	$51,094

For each dependent child or student, the family income thresholds increase by a further $3,597 instead of the previous amount of $3,533.

If you have any questions or wish to discuss any of the information in this newsletter, please do not hesitate to contact the office on 02 6813 0799