

1st July 2021

Taxation & Financial Planning Newsletter for 2020/21

Resident Individual Tax Rates for 2020/21 and 2021/22

Taxable income	Tax on this income
\$0 – \$18,200	Nil
\$18,201 – \$45,000	19c for each \$1 over \$18,200
\$45,001 - \$120,000	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001 – \$180,000	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 and over	\$51,667 plus 45c for each \$1 over \$180,000

The above rates do not include the Medicare levy of 2%. Foreign residents pay tax from the first dollar earned. Minors (under age 18) pay increased rates after \$416 for non-employment income.

- ❖ **Low income tax offset (LITO).** This offset is available for the 2020–21 & 2021-22 income years. **Maximum offset is \$700**

Taxable income	Offset
0 – 37,500	\$700
37,501 – 45,000	\$700 – (5% of excess over \$37,500)
45,001 – 66,667	\$325 – (1.5% of excess over \$45,000)
66,668+	Nil

- ❖ **Low- and middle-income tax offset (LMITO).** This offset is available for the 2020–21 & 2021-22 income years. **Maximum offset is \$1080**

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

- ❖ Medicare levy of 2% is normally payable for income above \$23,226 on top of the above tax rates. In addition, Medicare levy surcharge may be payable as per the table given below.
- ❖ HECS-HELP Repayment Rate of 1-10% for Income of \$46,620-\$136,740 for 2020/21. Below \$46,620 repayment rate is NIL and maximum will be 10% for income from \$136,740 and above

Taxable income = Assessable Income (less) Allowable Deductions.

Tax credits and offsets (rebates) may directly reduce the resulting tax payable

Company and Fringe Benefit Tax Rates:

Company tax is 26% (reduced from 27.5%) for Base rate entities (turnover threshold > \$50M) for 2021 FY, otherwise general company tax is 30%. Fringe Benefits tax rate is 47% for FBT year ended 31 March 2021. It will be same for year ending 31 March 2022.

'Cents per Km Rates' to claim car expense up to 5000 km: The rate is **72 cents** (increased from 68 cents) per kilometre for assessable travel for 2020/21 & 2022 FY.

Private Health Insurance offset & Medicare levy Surcharge:

The private health insurance tax offset is reduced, and Medicare surcharge levy may be payable (if the appropriate cover is not held). In a single year, two separate PHI rebate percentages will be applied in calculating taxpayer's whole year rebate. The impact is shown in the table below. *The offset entitlement for those below age 65

Income for surcharge purposes between	Single	\$90,000 or less	\$90,001-\$105,000	\$105,001-\$140,000	Over \$140,001
	Couple (combined)	\$180,000 or less	\$180,001-\$210,000	\$210,001-\$280,000	Over \$280,001
Medicare levy surcharge		0%	1%	1.25%	1.5%

Private health insurance offset (PHI)				
1 July 2020 to 31 March 2021	Offset entitlement 25.059%*	Offset entitlement 16.706%*	Offset entitlement 8.352%*	No offset
1 April 2021 to 30 June 2022	24.608%*	16.405%*	8.202%*	

Superannuation:

Minimum withdrawals from super pension account

The minimum annual payment required for account-based pensions has been reduced by 50% for the 2020-21 & 2021-22 financial years.

Super Contribution Cap: The concessional contribution cap rises to \$27,500 from 1 July 2021 (\$25,000 for financial year 2020/21). With some scope for additional catch-up contributions if meet certain conditions (please contact us).

Maximise non-concessional contributions: Personal contributions, where no tax deduction is claimed, count towards the non-concessional contributions cap. This cap rises to \$110,000 from 1 July 2021 (previously \$100,000 for 2020/21) with some bring forward provisions.

Salary Sacrifice and / or direct Member Contributions: Both reduce your assessable income & hence tax impact. Please contact us if you would like advice on these strategies.

Super Co-Contribution: The maximum co-contribution is \$500 for financial year 2020/21 for those who earn up to \$39,837 and make a personal contribution of \$1000. The co-contribution decreases on a sliding scale and ceases at \$54,837.

Spouse contributions tax offset: If you make a personal contribution on behalf of your spouse (spouse's total income must be less than \$37,000) before the end of the financial year, you will be eligible for an 18% tax off-set for contributions up to \$3,000, which means up to a \$540 tax off-set.

Low Income Superannuation Tax Off-set (LISTO): If you earn less than \$37,000, the government may pay a benefit up to \$500 directly to your super fund.

Budget 2021:

Instant assets write off for small business continues in 2021/22. The minimum amount of earnings before an employer must pay superannuation (previously \$450 per month) has been removed and will come to effect from 1 July 2022. From 1 July 2021, Super Guarantee rate will increase to 10% (previously 9.5%). The budget paper is available in our website at www.palani.com.au.

Business at Palani & Associates:

We are looking to grow in Tax, Financial Planning & Mortgage Broking. Your referrals are most welcome. Ramiah as well as Arjun, Sasika & David will effectively work for your best outcomes this Tax Season.

<i>For tax planning, financial planning & mortgage advice on creating and maximizing your wealth for the future please do not hesitate to contact us.</i>	
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We appreciate and value your business

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Disclaimer

We have attempted to cover a wide range of topics in this paper. However, you should not act solely based on information contained here because points are of a general nature & tax laws may apply differently depending on circumstance.