



esdalesinclair & ASSOCIATES
...your local finance specialists

Welcome to our quarterly newsletter.

In this edition we take a look at:

- How temporary accelerated depreciation benefits can be offset by claiming losses against past profits!
- Tax time is just around the corner! We look at work from home and other tax deductions that maybe available to you
- How going green with your next purchase could help the environment and your back pocket!

As the end of the financial year is fast approaching if you want to take advantage of the temporary accelerated depreciation tax incentives in this financial year (and carry back tax losses) please contact me now as approval times and settlements are taking longer than expected. The accelerated depreciation benefit allows eligible businesses who invest in vehicles and equipment to claim an immediate deduction for certain costs relating to depreciating assets.

How it works

- **Businesses with an aggregated turnover of less than \$50 million, can generally claim the cost of eligible new and second hand business vehicles and equipment.**
- **Multiple purchases of any amount can generally be claimed.**

- Depreciating assets **must be acquired after 6 October 2020 and to be eligible for a deduction in this financial year must be installed or ready for use by 30th June 2021.**

Businesses with an aggregated turnover above \$50 million and up to \$5 billion, **can generally claim the cost of eligible new business vehicles and equipment.**

As always, if we can help with any aspect of your finance, or if you know of someone that would benefit from our services, please do not hesitate to contact our office on (07) 4922 7221 discuss.

Enjoy the read!



Business Tax benefits - Temporary Accelerated depreciation rules offset with a benefit in claiming losses against past profits!

The Government in October 2020 announced that corporate tax entities with an aggregated turnover of less than \$5 billion can elect to carry-back tax losses to offset previous tax profits.

Therefore eligible entities that were previously in a tax paying position but who now find themselves in a tax loss position due to the COVID-19 pandemic and/or through obtaining faster deductions for depreciation under the accelerated depreciation rules can generally take advantage of this measure.

How do the rules work?

- Companies and other eligible entities with 'aggregated turnover' of up to AUD5 billion can generally utilise loss carry back measures.
- The loss carry-back regime operates as a refundable tax offset, effectively providing a loss company with a cash refund for the tax that was paid in a prior year(s).

- The loss carry back measures are temporary and cash refunds can only be obtained upon lodgement of the companies 2020-21 and 2021-22 tax returns.
- The company may only use losses incurred in the 2019-20, 2020-21 or 2021-22 income years to offset profits generated during the 2018-19, 2019-20 or 2020-21 income year.
- A company must have taxable income in one or more of the preceding income year(s) that is no earlier than the 2018-19 income year.

The example below highlights how the program could apply to a company.

Bogong Builders Pty Ltd has aggregated annual turnover of \$60 million for the 2021–22 income year. On 1 July 2021, (in this financial year) Bogong Builders Pty Ltd purchases a truck-mounted concrete pump for \$1 million, exclusive of GST. The company’s taxable income for 2021–22 was \$600,000 before the purchase. Without temporary full expensing, Bogong Builders Pty Ltd would claim a tax deduction of around \$300,000, resulting in a taxable profit of \$300,000, and a tax bill of \$90,000.

Under temporary full expensing, Bogong Builders Pty Ltd will instead deduct the full cost of the asset of \$1 million, resulting in a tax loss of \$400,000. Under temporary loss carry-back, Bogong Builders Pty Ltd offsets this tax loss against profits in 2018–19, resulting in a tax refund of \$120,000. Without the refund, the company may have had to defer the investment until their cash flow position recovered, or may not have purchased the new pump at all.

On 11 May 2021, as part of the 2021–22 federal Budget, the Australian Government announced it will extend the loss carry-back measure by one year.

Further details can be found [here](#)

section in this email to the relevant section of the ATO website) and we also recommend that you consult with a tax adviser or accountant as required.

Below are examples of tax deductions that may be available for the year ended 30th June 2021:

Working from home - Home office expenses

Coronavirus has changed the way we are working and with many of us continuing to work from home there is generally an ability to claim home office expenses as a tax deduction. The good news is that the ATO has extended the temporary ATO-approved '[shortcut method](#)' (of 80 cents per hour for all additional running expenses) for this financial year ended 30th June. This deduction provides a simplified process for claiming deductions.

The traditional method of claiming deductions also applies and therefore it is recommended that you consider which method is best for you and the criteria you need to meet to claim a deduction. You can [find out more about work from home expenses](#) at the ATO website.

You can [find out more about deductions you can claim](#) at the ATO website.

Vehicle and travel expenses

Whilst employees cannot generally claim expenses for getting to and from their regular place of employment, there are some work-related vehicle and travel expenses that can be generally claimed.

These include:

- Where your work requires you to attend multiple workplaces or locations
- Car expenses where you need your car to perform your work duties
- Accommodation expenses when you're required to travel for work

You can [find out more about vehicle and travel expenses you can claim](#) on the ATO website.

Clothing and costs involved in laundry and dry-cleaning

Occupation-specific specifically related to your employment and purchased by you may be able to be claimed as well as related cleaning costs, as work-related expenses.

Generally costs can only be claimed if your employer requires you to wear compulsory work uniforms.

You can [find out more about clothing, laundry and dry-cleaning expenses you can claim](#) at the ATO website.

Education

Work-related studies where you are enrolled in an eligible course, you may be able to claim a tax deduction.

You can [find out more about course expenses you can claim](#) at the ATO website.

Industry-related deductions

You may also claim tax deductions for work-related expenses specifically related to your occupation and industry.

You can [check the list of occupations on the ATO website](#) to see what industry-related tax deductions that may be eligible to be claimed.

Other work-related expenses

There are other work-related expenses you may be able to claim as tax-deductible expenses, depending on your work and individual circumstances.

Expenses to consider include:

- Books, periodicals and digital information subscriptions
- Overtime meals
- Union fees, subscriptions to associations
- Safety goggles and protective sunglasses

Gifts and donations

Where you make a gift or donation you may be able to claim a tax deduction. However, specific rules that apply.

Generally, you can claim any donation you made above \$2 if it was to a ['deductible gift recipient'](#). For gifts, different rules apply depending on the type of gift.

You can [find out more about gifts and donations you can claim](#) at the ATO website



How going green with your next purchase could help the environment and your back pocket!

Typically when most people think about energy efficient vehicles they may think of Tesla, Toyota Prius or other types of hybrid cars.

You may not realise that there are now over 300 new cars with all makes and models available from dealers with low Co2 tail pipe emissions that contribute to a greener future.

If you purchase a low co2 emission vehicle that qualifies the great news is that we can generally arrange reduced payments to the standard payments usually charged.

Some examples of passenger vehicles that may qualify are:

- Volkswagen Polo 81TSI Comfort line 6 speed manual Turbo
- Audi A3 35 TFS SLINE Plus 40 Sports back Turbo 4 1395cc TDFI 7 speed Auto S-Tronic

Some examples of Light Commercial vehicles that may qualify are:

- Volkswagen Caddy Maxi Crewman TSi250 2K MY20 4D van Diesel 4 1398 6 speed Auto Direct Shift
- Renault Traffic LI SWB Premium 103kw X82 40 Van Diesel Twin Turbo 4 1598cc TTCD1 6 speed manual

How it works?

The Clean Energy Finance Corporation (“CEFC”) has provided selected financiers and also some financiers are also providing their own funding that enables the ability for these financiers to reduce finance repayments to assist in accessing equipment that contributes to a greener Australia.

What Motor Vehicles qualify?

Cars purchased with low Co2 tail pipe emissions

If you are purchasing a new passenger vehicle it is worth asking the question whether it qualifies as you could make savings on your monthly payments just for buying motor vehicles that are energy efficient. We also have access to a car buying service that can assist you with the purchase (if required).

Please do not hesitate to make contact with us if we can assist.

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