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## CLIENT INFORMATION BULLETIN

Welcome to this Winter Edition of the Kelly & Associates Newsletter! This edition is a big one and to assist everyone with prioritising their reading, we have identified the most important articles with a red tick, moderately important with an orange tick and less important with a green tick.

In this newsletter, we provide an overview of the recent Federal Budget, identifying some key measures for small businesses and individuals. We bring to your attention the year end ATO reporting reminders for employers and the superannuation guarantee rate increase.

For our individual taxpayers we note the expected reduction in tax refunds for the 2022/23 financial year due to the end of the low and middle income tax offset (LMITO) and the reduction in working from home deductions. We have included an article to explain these changes, along with a summary of the changes to the minimum drawdown for superannuation pensions and key priority areas the ATO will focus on for the 2022/23 financial year.

With the 2023 tax season now fast approaching, we outline our tax preparation procedures for individual clients. We have provided some additional resources to assist our clients with their tax preparation, including an Individual Client Tax Return Checklist, and for clients receiving this newsletter via email, an electronic Tax Data Organiser. We recommend the Tax Data Organiser as a helpful tax time resource for all clients. In particular, the organiser will be useful to anyone with a home office claim, given recent changes to the home office record keeping requirements.

Our newsletter concludes with some staff news and a footy tipping update. Thank you for taking the time to read this issue of the newsletter and we trust you find the contents useful for your decision making. Please contact our office if you have any questions or concerns. Happy End of Financial Year!

### ✓ The 2023/24 Federal Budget Update

The Federal Budget included a range of tax and superannuation related measures, with some relevant to small businesses and individuals. We will outline those relevant measures for the 2023/24 financial year.

#### Small Business Measures

##### 1. \$20,000 Instant Asset Write-Off

With the 'temporary full expensing' rules finishing on 30 June 2023, small businesses now have a temporary one year increase of the instant asset write-off threshold to \$20,000.

Small businesses with an aggregated annual turnover of less than \$10 million will be able to immediately deduct the full cost of eligible assets costing **less than \$20,000** that are **first used or installed ready for use between 1 July 2023 and 30 June 2024**. The \$20,000 threshold will apply on a per-asset basis, so small businesses can instantly write off multiple assets.

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## ☑ 2023/24 Budget Update (cont'd)

Assets valued at \$20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for five years if they opt-out will continue to be suspended until 30 June 2024.

### 2. New Energy Incentive for Small Businesses

Small and medium businesses with an aggregated annual turnover of **less than \$50 million** will be able to deduct an **additional 20%** of the cost of eligible depreciating assets that support electrification and more efficient use of energy. Up to \$100,000 of total expenditure will be eligible for the Small Business Energy Incentive, with the maximum bonus deduction being \$20,000.

A range of depreciating assets, as well as upgrades to existing assets, will be eligible for the Small Business Energy Incentive. These will include assets that upgrade to more efficient electrical goods (such as energy-efficient fridges), assets that support electrification (such as heat pumps and electric heating or cooling systems), and demand management assets (such as batteries or thermal energy storage). Full details of eligibility criteria will be finalised in consultation with stakeholders.

Eligible assets will need to be first used or installed ready for use **between 1 July 2023 and 30 June 2024**. Eligible upgrades will also need to be made in this period.

Certain exclusions will apply such as electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

### 3. Lodgement Penalty Amnesty Program

A lodgment penalty amnesty program is being provided for small businesses with an aggregated turnover of less than \$10 million to encourage them to re-engage with the tax system.

The amnesty will **remit failure-to-lodge penalties** for outstanding tax statements lodged in the period from 1 June 2023 to 31 December 2023 that were originally due during the period from 1 December 2019 to 28 February 2022.

### 4. FBT - Electric Car Discount

The Government will sunset the eligibility of plug-in hybrid electric cars for the FBT exemption for eligible electric cars. This change will apply from 1 April 2025. Arrangements involving plug-in hybrid electric cars entered into between 1 July 2022 and 31 March 2025 remain eligible for the Electric Car Discount.

**DISCOUNT**

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 **2023/24 Budget Update (cont'd)**

**Personal Income Tax Measures**

**1. Medicare Levy Surcharge and Private Health Insurance Rebate Income Thresholds**

There were no changes to personal income tax rates and thresholds in the Budget, however the indexation of the Medicare Levy Surcharge and Private Health Insurance Rebate income thresholds will resume from 1 July 2023. Before 1 July 2023, these thresholds had remained the same for the past 8 years. The thresholds will increase as follows:

**2023–24 Medicare Levy Low-Income Thresholds**

For the 2022-23 income year, the Medicare Levy low-income threshold for singles will be increased to \$24,276, from \$23,625. For couples with no children, the family income threshold will be increased from \$39,402 to \$40,939. For each dependent child or student, the family income threshold will increase by \$3,760. For single seniors and pensioners eligible for the seniors and pensioners tax offset, the Medicare Levy low-income threshold will be increased to \$38,365. The family threshold for seniors and pensioners will be increased from \$51,401 to \$53,406.

**Private Health Insurance Income Thresholds**

**2022-23 Income Thresholds**

Family Status	Base Tier	Tier 1	Tier 2	Tier 3
Single	\$90,000 or less	\$90,001-\$105,000	\$105,001-\$140,000	\$140,001 or more
Family	\$180,000 or less	\$180,001-\$210,000	\$210,001-\$280,000	\$280,001 or more

**Note:** The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.

**2023-24 Income Thresholds**

Family Status	Base Tier	Tier 1	Tier 2	Tier 3
Single	\$93,000 or less	\$93,001-\$108,000	\$108,001-\$144,000	\$144,001 or more
Family	\$186,000 or less	\$186,001-\$216,000	\$216,001-\$288,000	\$288,001 or more

**Note:** The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.



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## ☑ 2023/24 Budget Update (cont'd)

### 2. Extending the Compliance Program for Personal Income Tax

The Government will provide \$89.6 million to the ATO and \$1.2 million to Treasury to extend the Personal Income Tax Compliance Program for two years from 1 July 2025 and expand its scope from 1 July 2023.

This extension will enable the ATO to continue to deliver a combination of proactive, preventative and corrective activities in key areas of non-compliance, and to expand the scope of the program to address emerging areas of risk, such as deductions relating to short-term rental properties to ensure they are genuinely available to rent.

## ☑ Year End ATO Reporting Reminders for Employers

### Finalisation Declaration through Single Touch Payroll (STP)

A reminder to employers reporting through STP (which should be all employers unless an exemption or deferral applies), you need to finalise payroll information for the 2022/23 financial year by lodging a STP Finalisation Declaration with the ATO by 14 July 2023. The finalisation declaration can be completed once the STP information for all employees is confirmed as correct. Employers that finalise through STP are not required to provide payment summaries to employees or lodge a payment summary annual report to the ATO. Employees can access their payroll information for their 2023 tax return through a registered tax agent or their myGov account.

We will be in touch shortly with our payroll clients in relation to completing their finalisation declaration. Should you require any further assistance please contact our office.

### Single Touch Payroll (STP) Phase 2

Most digital service providers (DSPs) including QuickBooks and Xero have now transitioned to STP Phase 2 reporting. The expansion requires employers to report extra information to the ATO each time they file their payroll and includes changes to payroll categories, allowances, salary sacrifice reporting and income types.

Employers that have not already started Phase 2 reporting should ensure they are aware of the changes required and ask their DSP when their product will be ready if they don't already know.



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## Year End ATO Reporting Reminders for Employers (cont'd)

### Closely Held Payees

The ATO is reminding employers that amounts paid to 'closely held payees' should now also be reported through STP. A 'closely held payee' is an individual directly related to the entity they receive payments from. For example, family members of a family business, directors or shareholders of a company and beneficiaries of a trust.

The due date of STP finalisation declarations for closely held payees is 30 September 2023.

There are concessional reporting options for closely held payees which include:

- Reporting actual payments on or before the date of payment (along with arm's length employees)
- Reporting actual payments quarterly
- Reporting a reasonable estimate quarterly.

If you have any questions or require assistance with any of the topics raised in this update, please contact our office.

### Reminder of Superannuation Guarantee (SG) Rate Increase

Employers are reminded that the SG obligation for the 1 April 2023 to 30 June 2023 quarter is due by 28 July 2023.

If the correct amount of SG is not paid by an employer on time, they will be liable to pay the SG charge, which includes a penalty and interest component.

As a reminder, from 1 July 2022, the compulsory SG rate increased to 10.5% (previously 10%). The compulsory SG rate will increase again to 11% for the period 1 July 2023 to 30 June 2024. Please ensure your payroll systems are updated by the start of the next income year for the increased SG rate.

## Personal Income Tax Considerations

### The End of Low and Middle Income Tax Offset (LMITO)

The low and middle income tax offset (LMITO) is a tax benefit that has been available to eligible Australian taxpayers since 2018. However, the LMITO of up to \$1,500 has expired and is not available for the 2022/23 financial year.

For the 2021/22 financial year, taxpayers earning between \$37,000 and \$126,000 were able to claim this tax offset of up to \$1,500. The removal of the LMITO will result in smaller tax returns for many of our individual clients compared to last year.

Notably, the Low Income Tax Offset (LITO) is still available, and taxpayers who earn less than \$66,667 for the 2022/23 financial year can claim up to a maximum LITO amount of \$700.

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## ☑ Personal Income Tax Considerations (cont'd)

### Changes to Work from Home Claims

Individual clients should also be aware of the changes to the work from home deduction for the 2022/23 financial year. During the COVID pandemic, the ATO introduced a temporary shortcut method of claiming home office expenses. This shortcut method allowed individuals to claim 80 cents for each hour worked from home. This method ceased on the 30 June 2022, and a revised fixed rate method introduced.

To be eligible to claim a deduction for working from home expenses, clients must:

- Incur additional running expenses due to working from home
- Be fulfilling employment duties while working from home
- Keep records to prove the cost incurred

For the 2022/23 financial year, office workers who work from home can claim 67 cents an hour under the revised rate method, or alternatively use the actual cost method. Under the revised fixed rate method, there are two important time periods requiring different documentation to record the hours worked from home:

- Prior to March 1, clients must have diary entries or some proof covering a four-week period between 1 July 2022 to 28 February 2023
- From March 1, 2023, clients must keep a complete record of all the hours they work from home for the period to June 30, 2023. This can be in the form of timesheets, rosters or a diary.

In addition to the record of hours worked, evidence of payment of home office expenses is required. A copy of at least one bill for each type of working-from-home-expense, such as electricity, phone, computer consumables, stationery should also be provided.

Under this approach a separate deduction can be claimed for the decline in the value of assets used while working from home, for such items as computers and office furniture. The repairs and maintenance of these items can also be claimed, along with the cleaning expense of a dedicated home office. To make a claim for the decline in the value of assets you will need to have records to support the purchase of the item, when it was used, percentage of work-related use and the effective life of the asset.

Should you require any further information regarding the working from home deduction please refer to the following link: [Working from Home Deductions](#) Please note these changes necessitate more detailed record keeping by individual clients in order to substantiate the working from home claim.

**Our individual tax data organiser will assist in identifying the required information to make a working from home claim for this financial year. The organiser includes an electronic 'Work from Home Diary' which, if applicable to you, will be a time saving tool!**

If you require any further information please contact our office.

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## ☑ Personal Income Tax Considerations (cont'd)

### Residential Investment Property Loan Data-Matching Program

The ATO has advised that it will acquire residential investment property loan data from authorised financial institutions for the 2021/22 through to 2025/26 financial years, including:

- client identification details (names, addresses, phone numbers, dates of birth, etc);
- account details (account numbers, BSBs, balances, commencement and end dates, etc);
- transaction details (transaction date, transaction amount, etc); and
- property details (addresses, etc).

The ATO estimates that records relating to approximately 1.7 million individuals will be obtained each financial year.

### In the ATO's Sights this Tax Time

The ATO has announced its three key focus areas for this Tax Time:

- ◆ rental property deductions;
- ◆ work-related expenses; and
- ◆ capital gains tax.

ATO Assistant Commissioner Tim Loh said the ATO is continuing to prioritise areas where they often see mistakes being made:

*"Within these areas, we have identified common mistakes, and are particularly focused on addressing these and supporting taxpayers and registered tax agents to get their claims right this year."*

However, the ATO also recognises that many people are "doing it tough" this year, and expects fewer people will receive a refund, or they may receive smaller refunds than they were expecting, and more may have tax debts to manage.

Mr Loh also recommends that any taxpayers feeling overwhelmed, or getting behind with their tax, should let the ATO know as early as possible or "have a chat with your registered tax agent so we can work with you to find a solution. Don't bury your head in the sand".



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## Superannuation Update

### **Super Pensions: No Reduction In Minimum Drawdowns for 2023-24**

Retirees with an account-based pension or annuity are required to take a minimum amount of income each year from their account. This is referred to as the minimum pension payment and is calculated as a percentage of the account balance.

The Government reduced the minimum drawdown requirement in March 2020 in response to the COVID 19 pandemic. This was a temporary reduction that applied over the last few years and finishes on June 30, 2023.

From 1 July 2023 the minimum annual drawdown requirement reverts to the normal rates. Accordingly, retirees who withdraw the minimum amount each year will need to double their payments for the 2023/24 financial year. For those retirees who may be moving into a different age bracket, for example from the 80-84 age bracket to 85-89, then the minimum drawdown will increase even more.

### **New 15% Super Tax to Apply from 1 July 2025**

The Government recently announced it will be imposing a 15% additional tax on individuals that have more than \$3 million in superannuation. The new measure is expected to commence from 1 July 2025 (i.e., the start of the 2026 income year).

The main takeaways from the information provided thus far include the following:

- The additional 15% tax will broadly apply to the annual movement in the value of an individual's superannuation balance, adjusted for withdrawals and contributions. These 'earnings' are further adjusted to ensure only the proportion corresponding to the balance above \$3 million will be subject to the new tax.
- There will be no limit imposed on the size of superannuation account balances.
- Individuals will have the choice of paying the tax liability personally or from their super fund.

## 2023 Individual Tax Return Preparation

With the 2023 tax season imminent, we are pleased to introduce our team of accountants who will be completing the bulk of our individual tax returns this year. Kaylie and David will be overseeing the process with Ashleigh, Kathryn and Jordan actively involved in conducting interviews, collating data and processing the returns. This year we have also added a new member to our team, Matthew Heazlewood. Matt will be assisting with the preparation of individual tax returns and may be in touch to ask questions and obtain additional information.

We are flexible in our approach to servicing your individual tax needs and will be available for face-to-face consultations as well as offering a remote service. Our remote service has continued to be popular with clients and includes phone appointments and zoom meetings. Please contact reception to book your face-to-face or remote service appointment on (03) 5224 1022.

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## ✔ 2023 Individual Tax Return Preparation (cont'd)

Information for your 2022/23 tax return can be emailed direct to your accountant or to [reception@kellyassoc.com.au](mailto:reception@kellyassoc.com.au). Alternatively, we can provide a secure link upon your request, allowing you to safely deliver sensitive taxation information to us electronically. Please note that our Client Portal is no longer supported and cannot be used for uploading documents. We also remind you that payment summaries no longer need to be provided as we can access them from the ATO portal.

To further assist with the electronic approach to tax preparation this year, we have provided an Individual Tax Return Checklist and a complementary Tax Data Organiser to help gather and compile your tax information. The ATO website also provides some helpful deduction guides that are specific to particular occupations and industries: [Occupation & Industry Specific Guide](#)

Most clients will be aware that we are using DocuSign which provides an efficient, secure and easy to use option for signing and returning documents. Please keep an eye out for documents sent to you via DocuSign and contact our office if you require any assistance with the signing program.

We look forward to assisting with all your taxation needs for the 2022/23 tax year!



## ✔ The Victorian Government Power Saving Bonus

The Power Saving Bonus is a \$250 payment for Victorian households who visit the [Victorian Energy Compare](#) website. The Bonus will be available from 24 March 2023 to 31 August 2023.

All eligible Victorian households are able to apply for a \$250 payment under the new round of the Power Saving Bonus Program, including any households who have received payments through previous rounds of the program.

Only the account holder listed on the energy account can apply for the bonus and renters are able to apply for the \$250 Power Saving Bonus where they are named as the account holder.



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 **Lodgement Obligations**

Date	Description
14 July 2023	PAYG payment summaries distributed to employees (Not required by employers who have reported all payments via STP throughout 2022/23)
14 July 2023 *	STP finalisation declaration (*The finalisation date for closely held payees is 30 September 2023)
21st each mth 2022/23	Monthly IAS lodgement due — all lodgements
28 July 2023	Super guarantee contributions
28 July 2023	Quarterly IAS/BAS lodgement due — paper
14 August 2023	PAYG summaries to be lodged with ATO (Not required by employers who have reported all payments via STP throughout 2022/23)
25 August 2023	Quarterly IAS/BAS lodgement due — electronic
28 August 2023	Taxable payments annual report (Building & Construction, Cleaning, Courier, Road Freight, Information Technology, Security/Surveillance)
15 May 2024	Final lodgement date of 2022/23 individual tax returns

 **Staff News**

**Congratulations Kathryn!**

We are delighted to announce that Kathryn Heathcote recently completed her CPA studies. Kathryn is now a fully qualified accountant and will be increasing her client engagement and overall responsibilities. We are very proud of Kathryn's achievements and we look forward to celebrating with her at our 30 June function!

**Welcome Edward Guthrie**

Edward Guthrie is providing administration support at Kelly & Associates while completing his Bachelor of Commerce/Bachelor of Property and Real Estate at Deakin University. You may have spoken to Ed on the phone, and he is working hard to perfect his professional phone manner. Welcome Edward to Kelly & Associates.

**Footy Tipping Update**

The footy tipping competition is tight at the top with our very own Jordan Johnstone-Krippel on top with 84 correct tips, but only one tip ahead of a big group of tippers including Wizzle for Shizzle, Torquay Painting, Simo, Mango 23, the Morrows and Terence Breen. Things may change over the next few weeks however with Jordan travelling overseas and likely to be distracted with the sights of Vietnam. Good luck everyone and happy tipping!

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