



# NEWSLETTER

LATEST AND TRUSTED NEWS

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## HOW INFLATION IMPACTS YOU, WHAT YOU CAN DO ABOUT IT

Inflation affects all aspects of the economy, from consumer spending, business investment and employment rates to government programs, tax policies, and interest rates.

Inflation causes the value of money to decrease over time. This means that the same amount of money you have saved or invested will buy fewer goods and services in the future. As a result, your purchasing power will decrease.

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**NEED ADVICE? CALL US**

## TAX CHANGES FOR SMALL BUSINESS JULY 2023

### TECHNOLOGY INVESTMENT BOOST

Small businesses with an aggregated annual turnover of less than \$50 million will be allowed an additional 20% tax deduction to support their digital operations and encourage to digitise their operations.

The boost applies to eligible expenditure incurred between 7:30 pm AEDT on 29 March 2022 and 30 June 2023. The boost is for business expenses and depreciating assets and is capped at \$100,000 of expenditure per income year. You can receive a maximum bonus deduction of \$20,000 per income year.

#### What you can claim

Eligible expenditure may include, but is not limited to, business expenditure on:

- digital enabling items – computer and telecommunications hardware and equipment, software, internet costs, systems and services that form and facilitate the use of computer networks
- digital media and marketing – audio and visual content that can be created, accessed, stored or viewed on digital devices, including web page design
- e-commerce – goods or services supporting digitally ordered or platform-enabled online transactions, portable payment devices, digital inventory management, subscriptions to cloud-based services, and advice on digital operations or digitising operations, such as advice about digital tools to support business continuity and growth
- cyber security – cyber security systems, backup management and monitoring services.

## CAP ON THE BONUS DEDUCTION

An annual cap applies so that expenditure up to \$100,000 is eligible for the bonus deduction, with the bonus deduction capped at \$20,000 per year.

The maximum bonus deduction a business can claim is \$40,000 for the entire period.

However, different cap rules apply if your 2022–23 income year begins before 1 July 2022. As an 'early balancer' you can:

- claim a maximum bonus deduction of \$20,000 for the period between 7:30 pm AEDT 29 March 2022 and the end of your 2022–23 income year
- then claim a maximum bonus deduction of \$20,000 from the start of your 2023–24 income year to 30 June 2023.

## RESEARCH AND DEVELOPMENT TAX INCENTIVE

If your business is entitled to an R&D notional deduction under the research and development (R&D) tax incentive program, you are only entitled to the notional R&D deduction and not a deduction under other taxation law. Your bonus deduction is still claimed based on what that other deduction would have been.

You can claim both the bonus deduction and the R&D notional deduction. The bonus deduction will not affect the amount of the R&D notional deduction. The R&D notional deduction amount is the actual expenditure amount, not the expenditure amount and the bonus deduction amount.



## SMALL BUSINESS SKILLS AND TRAINING BOOST

To access the small business skills and training boost, your business needs to be a small business entity. Your aggregated annual turnover must be less than \$50 million for the income year in which you incur the expenditure.

The expenditure must be:

- for the provision of training to employees of your business, either in-person in Australia, or online
- charged, directly or indirectly, by a registered external training provider that is not you or an associate of yours
- already deductible for your business under taxation law
- incurred within a specified period (between 7:30 pm AEDT or by legal time in the ACT on 29 March 2022 and 30 June 2024).

### What you can claim

Training expenses can include incidental costs related to the provision of training, provided they are charged by the registered training provider, such as the cost of books or equipment needed for the course.

## SMALL BUSINESS ENERGY INCENTIVE

On 30 April 2023, the Australian Government announced it will provide businesses with an annual turnover of less than \$50 million with an additional 20% deduction on spending that supports electrification and more efficient use of energy.

Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. This measure is not yet law.

The measure will help small businesses make investments like:

- electrifying their heating and cooling systems
- upgrading to more efficient fridges and induction cooktops
- installing batteries and heat pumps.

Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business.

# TAX CHANGES FOR INDIVIDUAL

## JULY 2023

### LOW AND MIDDLE INCOME TAX OFFSET

The low and middle income tax offset (LMITO) ended on 30 June 2022. It is not available for 2022–23

### CENTS PER KILOMETER RATE CHANGE

From 1 July 2022, the cents per kilometre rate for work-related car expenses is 78c.

Use the 78c rate if your client is using the cents per kilometer rate for work-related car expenses in 2022–23 income year.

### Why your tax return outcome may change in 2023

The outcome of your 2023 tax return may be different than in previous income years. You may have a lower refund or you may receive a tax bill.

Your tax return outcome may change for any of the following reasons:

- A tax offset you received previously is no longer available or you are no longer eligible for an offset – for example, the low and middle income tax offset ended on 30 June 2022.
- Your credit or refund has been offset against another debt – including debts on hold with us or debts you have with other government agencies.
- Your income or deductions for the income year are different from previous income years.
- We find a difference between the details in your tax return and the information we receive through pre-fill data or our data matching program.
- You have not advised your payer of your study or training support loan and your income is above the minimum repayment threshold and you have a compulsory repayment amount.

# CHANGES TO SUPER GUARANTEE RATES FROM JULY 1ST 2023 11%

## PAYING SUPER

Unless superannuation payments are made and processed before the 30th June (end of financial year), they will not be deductible for that financial year.

Period	General super guarantee (%)
1 July 2022 – 30 June 2023	10.50
1 July 2023 – 30 June 2024	11.00
1 July 2024 – 30 June 2025	11.50
1 July 2025 – 30 June 2026	12.00
1 July 2026 – 30 June 2027	12.00
1 July 2027 – 30 June 2028 and onwards	12.00

## SUPER CONTRIBUTIONS

Making additional super contributions can minimise your taxable income.

In many cases, this can be a great strategy to minimise your tax payable.

The maximum concessional contribution is \$27,500 and you are able to carry forward balances from prior years.

For a superannuation contribution amount to be deductible, you need to provide a

### [NOTICE OF INTENT TO CLAIM FORM](#)

to your superannuation firm at the earliest of:

- (i) the date the 2022-23 tax returns are lodged
- (ii) 30th June 2023

## SUPERANNUATION RATES TO INCREASE 0.5% TO 12% BY 2026.

# INFLATION EFFECTS ON CASHFLOW AND INVESTMENT MARKETS

## Financial

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### WHAT IS INFLATION?

The hot topic we've seen in the media over the last 12 months has been inflation. But what is it and how does it affect us?

The textbook definition of Inflation is the 'rate of increase in prices over a given period of time.' In simple terms, it is the increase in the costs of goods and services each year. Inflation of 2-3% per year is said to be healthy for the economy as things are growing at a steady rate. Higher than this means these costs are going up too quickly which makes goods and services harder for consumers to purchase (unless their income is going up at the same rate).

This is what we have seen over the last 12 months, where inflation has been running rampant and putting pressure on consumers in terms of their cost of living. This has a negative effect on our cashflow, as the money we are bringing in (whether it be from employment or investments) may be around the same rate, but our costs to live has increased by an additional 7.8% at its peak in December 2022 here in Australia. Having to spend more money on living means we have less money for other things – such as repaying debt and investing for our future.

# AUSTRALIA'S INFLATION RATE OVER THE LAST 10 YEAR



## WHAT CAUSES INFLATION?

Inflation can be caused by a multitude of factors which come down to supply and demand. On the supply side, a lack of supplies can increase the costs of purchasing them. This is what kick started the rise in inflation at the beginning of 2022 where countries were emerging from Covid-19 lockdowns at different rates which led to supply constraints.

On the demand side, the increase of demand for goods and services means businesses are able to charge a higher price to consumers. Here in Australia, this was fuelled by an increase in government spending and ultra-low interest rates leading to consumers having more money to spend.



## HOW DO WE CONTROL INFLATION?

Inflation is typically controlled by two measures

– Fiscal policy (The government) and Monetary policy (Central banks i.e. The Reserve Bank of Australia).

The government is able to control inflation through their Fiscal policy measures. This includes the amount of money they are spending each year, and the tax rates they are charging businesses and consumers. Central banks are able to control inflation through their monetary policy measures.

This includes adjusting interest rates. Higher interest rates, higher tax rates, and lower government spending aims to decrease the amount of money in the economy causing people to spend less, demand decreasing, and in turn inflation decreasing.

This can be a double edged sword where consumer's cost of living pressures from inflation are already high, and then higher interest rates and tax rates decrease their cashflow even further resulting in a downturn in the economy. Here in Australia, the main policy tool that has been utilised over the past 12 months has been increasing interest rates to try and decrease inflation.

## INFLATIONS EFFECT ON INVESTMENT MARKETS

Inflation is seen to have varying effects on investment markets.

This is more so to do with the tools used to control inflation rather than inflation itself. Defensive assets including cash and fixed interests seem to benefit from higher interest rates as you are receiving a higher interest return from these asset classes.

In comparison, growth style assets including property and shares are negatively influenced by higher interest rates. This is because debt repayments increase mortgages and business debt commitments, meaning there is less money to pay out to investors.

Higher interest rates also make it harder for investors to enter the market as the cost of borrowing to do so is higher. Conversely, decreasing interest rates have the opposite effects on the asset classes as stated above.

The long term outlook for inflation and interest rates is still promising. We are already starting to see inflation rates worldwide decrease and once they get within a satisfactory level, we will see interest rates decrease to a healthy level promoting further growth in the economy.

For this reason, it is important to remain focused on your long-term goals and remain diversified within your investments so that you are able to benefit from whatever economic conditions occur in the short term.

## **IT IS IMPORTANT TO REMAIN FOCUSED ON YOUR LONG-TERM GOALS**

## **WHAT STEPS TO TAKE NEXT?**

Our experienced team can help with all aspects of your financial planning.

We have one goal when working with you on Tax and Financial Planning

– to give you the confidence that your financial needs will be taken care of in any situation.

There are two ways we achieve this.

1. We make sure your money is working as hard for you as it can be
2. We make sure your current plans and activities are aligned to enable you to achieve both your short-term and long-term lifestyle goals.



BOOK AN APPOINTMENT

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# Insurance

## “How Inflation is impacting Insurance Premiums

QBE Insurance

[View the Full Article](#)



One of the biggest risks of inflation for policyholders is wrong asset valuations when determining the level of cover.

When inflation is on the rise, sums insured need to be increased to avoid underinsurance.

Rising inflation is a key variable to consider when estimating the value of future claims. Insurers take many aspects into consideration when determining their risk appetite.

**Book a Review today**

Inflation hit the headlines this year as central banks sought to contain asset price growth with sharp interest rate rises. But inflation's impact goes beyond interest rates. It's one of the most important variables for the insurance sector, influencing everything from risk appetite to premiums.

Things to consider

- Rising inflation can mean higher premiums for customers
- When inflation rises, it's important to ensure sums insured are accurate
- Reducing frequency of claims and raising excesses helps manage costs.

# Insurance

Our Insurance team specialises in all areas of business and personal insurance.

We work proactively on your behalf to find the most suitable policies at competitive prices, and we are backed by some of Australia's largest underwriters – which means we can find the exact policy to suit your individual needs.

We cover all kinds of insurance including but not limited to:

- Business insurance
- Management Liability insurance
- Liability and Professional Indemnity insurance
- Cyber Liability insurance
- Home and Contents, Landlord insurance
- Plant and Machinery, Contract Works insurance
- Commercial and Residential Strata insurance
- Motor vehicle and Commercial Motor insurance
- Personal Accident and Sickness insurance
- CTP Greenslips

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**How we can help you stay up to date**

— TjL Insurance



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