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YEAR-END

PLANNING GUIDE

JUNE

2023

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Introduction

With 30 June fast approaching, we thought it would be an opportune time to provide you with a Year-End Planning memorandum. This document details key dates, recent reforms and tax planning opportunities that may affect you and your business.

Please do not hesitate to contact our office if there is any further information we can provide for your business, or if you would like a review of your individual or superannuation situation prior to year-end.

Summary

- Pay superannuation to claim tax deduction in the current financial year.
- Trustee resolutions need to be completed and signed to be able to distribute trust income for the 2023 financial year to beneficiaries. Ensure Tax File Numbers have been received from beneficiaries.
- Consider buying plant and equipment to utilise the temporary full expensing measure that expires 30 June 2023.
- Make division 7A minimum repayments, if not already done.
- Review trade debtors and write off bad debts.
- Consider repairs before the year-end.
- Consider pre-paying expenses. A tax deduction is generally allowed where the payment is made before 30 June for services to be rendered within a 12-month period.
- Consider maximising superannuation concessional cap and carried forward rules.

Key Dates

Income tax return due dates

Due date	Entity Description
31 October 2023	All entities if one or more prior year returns were outstanding as at 30 June 2023
31 January 2024	Taxable large and medium entities as per the latest year lodged (all entities other than individuals) The taxable head company of a consolidated group (including a new registrant) that has a member who has been deemed a large or medium entity in the latest year lodged **Payment for companies and super funds with a 31 January due date is 1 December 2023**
28 February 2024	Non-taxable large and medium entities as per the latest year lodged (except individuals) New registrant (taxable and non-taxable) large or medium entities (except individuals) New registrant self-managed superannuation funds Non-taxable head company of a consolidated group, including a new registrant, that has a member who has been deemed a large or medium entity in the latest year lodged Any member of a consolidated group who exits the consolidated group for any period during the year of income
31 March 2024	Companies and super funds with total income of more than $2 million in the latest year lodged (excluding large and medium taxpayers) The head company of a consolidated group (excluding large and medium), with a member who had a total income in excess of $2 million in their latest year lodged Individuals and trusts whose latest return resulted in a tax liability of $20,000 or more, excluding large and medium trusts.
15 May 2024	All entities that did not have to lodge earlier (including all remaining consolidated groups) and are not eligible for the 5 June concession
5 June 2024	Individuals and trusts with a lodgement due date of 15 May 2024 provided they also pay any liability due by 5 June 2024 All entities with a lodgement due date of 15 May 2024 if the tax return is not required earlier and both of the following criteria are met: o non-taxable or a credit assessment in latest year lodged o non-taxable or receiving a credit assessment in the current year

Key Dates

Other lodgement dates

Due date	Entity Description
14 July 2023	Finalisation declaration for Single Touch Payroll required
31 July 2023	Lodge Venture capital deficit tax return for June balancers Lodge Franking account return for 30 June balancers if there is an amount payable Lodge Early stage innovation company report Lodge Community housing provider annual report
14 August 2023	Lodge PAYG withholding payment summary annual report for • large withholders whose annual withholding is greater than $1 million • payers who have no tax agent or BAS agent involved in preparing the report.
28 August 2023	Lodge Taxable payments annual report (TPAR) for payments made to contractors for providing services
30 September 2023	Lodge PAYG withholding payment summary annual report if prepared by a BAS agent or tax agent excluding large withholders whose annual withholding is greater than $1 million Lodge Annual TFN withholding report 2023 if a trustee of a closely held trust has been required to withhold amounts from payments to beneficiaries
25 June 2024	Lodge and pay 2024 Fringe benefits tax annual return for tax agents if lodging electronically

Super Quarter	Super due date	Super Guarantee Charge Due Date
1 July - 30 September	28 October	28 November
1 October - 31 December	28 January	28 February
1 January - 31 March	28 April	28 May
1 April - 30 June	28 July	28 August

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Trading Stock

Performing a stocktake will determine any increases/decreases in assessable income and provide you with an insight as to the value of stock at year-end.

A stocktake involves physically counting stock and valuing each item by using one of the following three methods:

- Cost Price – Purchase price in addition to other costs such as freight, insurance, duties and delivery charges to bring the stock to its current condition;
- Market Selling Value – Current value of stock if sold in the normal course of business; and
- Replacement Value – Cost on the last day of the financial year to obtain an almost identical item.

You can choose a different method each year for different items of stock.

Please contact us should you require further information regarding the taxable treatment of stock.

Capital Gains

If in the 2023 Financial year, you have sold/transferred property, assets or other rights you may need to consider the Capital Gains Tax (CGT) implications of the disposal including whether you have access to the losses, the 50% discount, Small Business CGT Concessions or other methods to reduce the impact of the gain.

Identifying these events prior to 30 June 2023 allows us to determine the potential taxable impact and provides time to gather the necessary substantiation required as part of the year-end compliance.

It is important to note the ATO is becoming more sophisticated in identifying any sale or transfer of assets, in particular, Cryptocurrencies. If you are trading Cryptocurrencies through a centralised exchange in Australia, it is likely the ATO will have access to the details of any sales or transfers.

If you believe a CGT event may have occurred or is about to occur, please contact our office for further information.

Asset Depreciation

The end of financial year provides a great opportunity to analyse any current assets held and determine whether:

- Any obsolete assets can be scrapped/written off;
- Repair/Maintenance works can be conducted to extend the useful life of assets; and
- Full replacement of obsolete assets is necessary.

In considering the purchase of new assets:

- Assets with a value of less than $1,000 can be allocated to a low-value asset pool.

Full Expensing of Depreciating Assets

Subject to specific rules, the temporary full expensing of depreciating assets is available for the financial year ending 30 June 2023. Under the temporary full expensing rules, an eligible business can claim an immediate deduction for the business portion of the cost of an asset in the year it was first used or installed ready for use for a taxable purpose.

Important to note that, temporary full expensing of depreciable assets expires on 30 June 2023. Any asset that is delivered, installed and ready for use in Australia prior to 30 June 2023 can be claimed as an upfront tax deduction.

If the asset has been ordered, even paid for, but not delivered and ready to use before 30 June 2023, then the full deduction is not available.

Small businesses, with an aggregated 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.

For businesses with an aggregated turnover of more than $10 million assets purchased and delivered from 1 July 2023 onwards revert to normal depreciation settings where the cost is deducted over the asset's effective life.

It is important to note, not all assets qualify for the temporary full expensing. For example, the following do not qualify for the temporary full expensing:

- Building and other capital works (for example, leasehold improvements);
- Assets which fall into a low-value pools or software development pool;
- Certain primary production assets;
- Second-hand assets purchased by an entity that has an aggregated turnover of $50m or more;
- Assets which will never be located in Australia and will not be principally in Australia for the principal purpose of carrying on a business.

If you are planning on purchasing a motor vehicle, the temporary full expensing is limited to the business portion of the car limit. The car limit for the 2022-23 financial year is $64,741.

Please contact us should you require any further specifics in relation to assets and depreciation, including whether your business qualifies for the temporary full expensing.

Division 7A, Dividends & Trusts

As with every year, general year-end tax planning includes:

- Consideration of any Division 7A impacts – including repayments required and loan agreements being put in place to avoid deemed dividends being triggered;
- Trustee Resolutions – ensuring these are made and signed by 30 June 2023 or earlier if required by the trust deed, after perusal of the deed and taking into account the definition of income provided;
- Dividends – ensuring these are declared with statements/resolutions signed by 30 June 2023; and
- TFN Reports – lodging these reports for minors who have turned 18 during the 2023 financial year in addition to non-resident beneficiaries who became residents.

Division 7A benchmark interest rate is 4.77% for 2022-2023

For Unpaid Present Entitlements (UPEs) that arose in the 2022 tax year:

- conversion to loan in 2023 year;
- due date for any repayment or written agreement – lodgement date of 2023 tax return;
- where loan agreement, first repayment by 30 June 2024

For UPES arising in the 2023 tax year:

- conversion to loan in 2024 year;
- due date for any repayment or written agreement – lodgement date of 2024 tax return;
- where loan agreement, first repayment by 30 June 2025

Superannuation Minimum Pension Payments

Members with pension accounts during FY23, must withdraw a minimum amount of pension from their super fund's pension account prior to 30 June 2023. The minimum pension is calculated based on age and percentage of your pension account balances as at 1 July 2022 and are set by the Federal Government.

Please note that the rates for the 2023 financial year have been reduced by 50% as summarised below:

Age	Minimum Pension %	2022 - 2023 Income Year Reduced Rate
Under 65	4.00%	2.00%
65 - 74	5.00%	2.50%
75 - 79	6.00%	3.00%
80- 84	7.00%	3.50%
85 - 89	9.00%	4.50%
90- 94	11.00%	5.50%
95+	14.00%	7.00%

It is important to note that according to the 2023-2024 Budget, there will be no further extension of the temporary 50% reduction in the minimum annual payment amounts for superannuation pensions and annuities. As a result, the 50% reduction in the minimum pension drawdowns is set to end on 30 June 2023.

Superannuation Concessional Contributions (CC)

Concessional contributions (CC) include:

- employer contributions (including contributions made under a salary sacrifice arrangement)
- personal contributions claimed as a tax deduction.

Income Year	Your CC Cap
2022 - 2023	$27,500
2023 - 2024	$27,500

From 1 July 2022, if you are under 75 years old, you will no longer need to meet the work test to make or receive non-concessional super contributions and salary sacrifice contributions. If you are 67 to 74 years old, you will however be required to meet the work test in order to claim a personal superannuation contribution deduction.

To meet the work test, you must be gainfully employed for at least 40 hours during a consecutive 30-day period in the financial year in which the contributions are made.

If you are 75 years or older, the super fund can only accept mandated (super guarantee) employer contributions.

For the 2022-2023 year, an individual is liable to pay Division 293 tax if the sum of their adjusted taxable income and their low tax contributions is greater than $250,000. Division 293 tax will be charged at 15% of an individual's taxable CC that is above the $250,000 threshold.

Unused concessional cap carry forward/catch-up concessional contributions

If you make or receive CC of less than the annual cap of $27,500, you may be able to accrue these unused amounts and carry forward for use in subsequent financial years (catch-up CC).

Catch-up CC can accrue from 2018/19. Unused cap amounts can be carried forward for up to five years before they expire. To be eligible to make catch-up CCs, one criterion is your total super balance must be below $500,000 at the prior 30 June.

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Superannuation Concessional Contributions (CC)

Reduced eligibility age for downsizer contributions

If you have reached the eligible age, as noted in the table below, you may be able to contribute up to $300,000 from the proceeds of the sale (or part sale) of your home into your superannuation fund.

The home is required to have been owned for at least 10 years by you or your spouse and to have been your main residence. The contribution must be made within 90 days of settlement.

Contribution Period	Your Age at this Date
1 July 2022 until 31 December 2022	reduced from 64 to 60 years of age
From 1 January 2023	reduced from 60 to 55 years of age

Please contact our office prior to making this contribution so we can assist in reviewing your eligibility for this contribution.

Superannuation Non-concessional Contributions (NCC)

The non-concessional contribution cap for the year ending 30 June 2023 is $110,000. However, if you are 75 years or older, the super fund cannot accept any voluntary non-concessional contributions from you.

If your total superannuation balance (Transfer Balance Cap) is $1.7 million or more as at 30 June 2023, you will no longer be eligible to make non-concessional contributions or you may be penalised.

Important to note that the Transfer Balance Cap is due to increase to $1.9m from 1 July 2023.

Bring Forward Rule Caps

You can bring forward non-concessional contributions from future years to increase the caps under certain circumstances:

- you must be under 75 years of age
- your super balance must be less than $1.59 million

After1 July 2022	
Total Super Balance (TSB)	**Contribution and bring forward available**
< $1.48M	$330,000
$1.48M–$1.59M	$220,000
$1.59M–$1.7M	$110,000
Above $1.7M	Nil

Please contact our office prior to making NCC contributions so we can assist in reviewing your caps and eligibility.

Small business entity concessions

A small business entity (SBE) is a sole trader, partnership, company or trust that operates a business for all or part of the income year and has a turnover of less than $10 million (the turnover threshold).

The main concessions available to an SBE in the 2022-2023 year are:

- Simplified depreciation rules
- Temporary full expensing
- Immediate deduction for prepaid expenses
- Deduction for professional expenses for start-ups
- Lower company tax rates
- Simplified trading stock rules
- PAYG installments concession
- A two-year amendment period
- Excise concession
- Small business restructure rollover
- FBT car parking exemption
- FBT work-related devices exemption
- Superannuation clearing house

From 1 July 2021 – businesses with a turnover of less than $50 million may also be eligible to access some of the small business concessions:

- Simplified depreciation rules
- Temporary full expensing
- Immediate deduction for prepaid expenses
- Deduction for professional expenses for start-ups
- Lower company tax rates
- Simplified trading stock rules
- PAYG installments concession
- A two-year amendment period
- Excise concession
- FBT car parking exemption
- FBT work-related devices exemption

Should you wish to discuss any of the SBE concessions that may be applicable to your business, please contact us.

Corporate taxpayers

Corporate Tax Rates

The company tax rate for base rate entities (BRE) was reduced to be 25% in 2021-2022, the rate is to remain at 25%.

A base rate entity is a company with aggregated turnover of less than $50 million that derives 80% or less of its income from dividends, interest, royalties, rent and net capital gains.

Dividends declared will be franked at the rate of 25%.

For a company that is not a BRE the tax rate is 30%. Accordingly, its dividends will be franked at the rate of 30%.

Loss carry-back measures

An eligible corporate entity can choose to 'carry back' a tax loss it incurs in the 2019–20 to 2022–23 income years and offset it against previously taxed profits from 2018–19 or subsequent income years to generate a refundable tax offset. The rules are temporary — they apply in relation to assessments only for the 2020–21, 2021–22 or 2022–23 income years.

The limited nature of the concession is summarised below:

	Year to which the tax loss can be carried back			
Tax loss year	**2018 - 2019**	**2019 - 2020**	**2020 - 2021**	**2021 - 2022**
2019 - 2020	✓			
2020 - 2021	✓	✓		
2021 - 2022	✓	✓	✓	
2022 - 2023	✓	✓	✓	✓

Corporate taxpayers

The choice to claim a loss carry back tax offset is an alternative to carrying tax losses forward as a deduction for future income years. The ability to carry back losses is useful for companies that have allowable deductions under, for example, the instant asset write-off, because it means that the company does not have to wait until it has a taxable income in order to benefit from the deductions.

As the law currently stands, 2022–23 is the final year in which the loss carry back is available as a strategy to released trapped franking credits.

The loss carry back tax offset which results in a debit to the entity's franking account is a useful means of getting trapped franking credits out of the company. Trapped franking credits are effectively a surplus of franking credits that a company is unable to use as it is limited by its maximum franking rate.

Central management and control residency test — transitional approach extended

The transitional compliance approach period is extended to 30 June 2023 for companies impacted in their efforts to change their governance arrangements — so that their central management and control is exercised outside of Australia by the end of the transitional period.

The 'directors identification number' regime

Last year's amendments introduced a director identification number (director ID) requirement. Generally, newly appointed directors will be required to have a director ID before their appointment.

Transitional arrangements:

Date appointed	Date director must apply
On or before 31 Oct 2021	By Nov 2022
1 Nov 2021to 4 Apr 2022	Within 28 days of appointment
From 5 Apr 2022	Before appointment

Resigned and removed directors and non-individual directors under the Corporations Act 2001 are relieved from having to obtain a director identification number, with effect from 1 December 2022.

Individual Taxpayers

Marginal income brackets

For the 2022-23 financial year, the marginal income tax brackets for a resident individual have remained unchanged and are as follows:

Residents:

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

The above rates do not include the Medicare levy of 2%.

Non-residents:

Taxable Income	Tax on this Income
0 - $120,000	32.5 cents for each $1
$120,001 - $180,000	$39,000 plus 37 cents for each $1 over $120,000
$180,001 and over	$61,200 plus 45 cents for each $1 over $180,000

Individual taxpayers

Tax Offsets

Low and Middle Income Tax Offset (LMITO) ended on 30 June 2022.

There is no change to the Low Income Offset, which is up to $700 for taxpayers earning taxable income under $66,667.

Work-related deductions

Effective from 1 July 2022 the revised fixed-rate method of $0.67 per hour replaces the set rate $0.52 per hour and shortcut $0.80 per hour for work from home deduction.

Cents per km deduction for car expenses is increased to be $0.72 for 2022-23.

HECS-HELP Study debts indexation at 1st June 2023

While HECS-HELP Study debts are interest free, such loans are subject to indexation, which adjusts debts each year in line with inflation. The HECS indexation of 7.1% is applied on 1 June 2023.

FBT exemption for electric vehicles

From 1 July 2022, a car benefit is an exempt benefit for FBT purposes, if the car is an eligible zero or low emissions vehicle.

A car benefit is an exempt benefit if:

- the benefit is provided in respect of the employment of a current employee
- the car is a zero or low emissions vehicle
- the value of the car at the first retail sale is below the luxury car tax (LCT) threshold for fuel efficient vehicles ($84,916 for the 2022–23 financial year).

Zero or low emission vehicle is defined as a motor vehicle that:

Battery electric vehicle	uses only an electric motor for propulsion and is fitted with neither a fuel cell nor an internal combustion engine.
Hydrogen fuel cell electric vehicle	uses an electric motor for propulsion and is equipped with a fuel cell for converting hydrogen to electricity and is not fitted with an internal combustion engine.
Plug-in hybrid electric vehicle	uses an electric motor for propulsion and takes and stores energy from an external source of electricity and is fitted with an internal combustion engine for either or both of the generation of electrical energy or propulsion of the vehicle.

The benefit is still a reportable fringe benefit. This means that while EV is exempt from FBT, the notional taxable value of the benefits associated with the private use will need to be calculated.

FBT exemption for electric vehicles

The benefit exempted from FBT includes any associated benefit in running car i.e.

- registration
- insurance
- repair or maintenance
- fuel (including electricity to charge and run electric cars)
    - there is also an optional methodology for calculating cost of electricity when vehicle (other than a plugin hybrid) is charged at employee's or individual's home with a rate of 4.20 cents/km

A home charging station is not a car expense, and would be considered either:

- property fringe benefit
- expense payment fringe benefit

Tax implications:

- GST – input tax credits are limited to car limit (for 2023FY – GST cap is $5,885 as 1/11 of $64,741);
- Income tax considerations - Allowable deductions for expenditure incurred even if benefit is FBT exempt.

Allocation of Professional Firm Profits - ATO Compliance Approach

From 1 July 2022, PCG 2021/4 provides a risk-based approach to individual professional practitioners (IPPs) who satisfy two 'Gateways' — i.e., the arrangement:

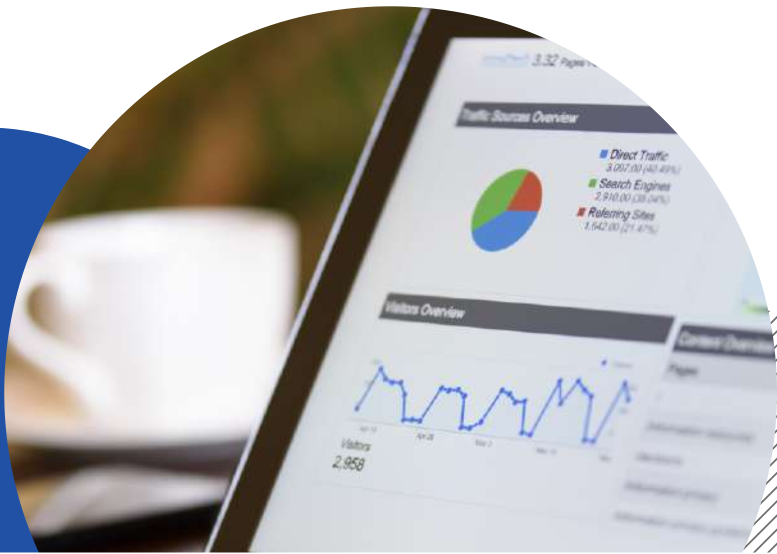
- Gateway 1 is commercially driven; and
- Gateway 2 does not demonstrate any high risk features.

Risk assessment – if gateways are satisfied, IPPs may assess their risk level against the following risk factors:

- Risk assessment factor 1 — proportion of profit
- Risk assessment factor 2 — effective tax rate Risk assessment factor 3 — appropriate remuneration

Arrangements considered low risk under former guideline and are higher risk rating under PCG 2021/4 may continue to apply Suspended Guidelines until 30 June 2024.

Should you wish your group to be reviewed in light of the above changes, please contact us.



Section 100A Reimbursement Agreements

Section 100A of the ITAA 1936 is an anti-avoidance provision which, subject to the ordinary dealing exception, applies in cases where a beneficiary has become presently entitled to trust income where it has been agreed that another person will benefit, and that agreement is made by any of its parties with a purpose that some person will pay less or no income tax as a result, in a particular year of income.

Consequences of s. 100A:

- Beneficiary deemed not to be, and never to have been, presently entitled to the trust income
- Where beneficiary was paid that share, or it was applied for their benefit, it will be deemed not to have been so paid or applied
- The deeming under s. 100A does not extend to treat an entitlement as having arisen for another person (such as a default beneficiary)
- Div 6 consequences - trustee is assessed and liable to pay tax on the proportionate share of the net income of the trust which is subject to s. 100A deeming
- Capital gains and franked distributions – results in no beneficiary being specifically entitled to that gain or distribution

According to the ATO PCG 2022/2 the examples of high-risk scenarios are:

1. Arrangements where the presently entitled beneficiary lends or gifts some or all of their entitlement to another party
2. Arrangements where trust income is returned to the trust by the beneficiary in the form of assessable income
3. Arrangements where the presently entitled beneficiary is issued units by the trustee or related trust and the amount owed for the units is set-off against the beneficiary's entitlements
4. Arrangements where the share of net income include in a beneficiary's net income is significantly more than the beneficiary's entitlement
5. Arrangements where the presently entitled beneficiary has losses and is outside the family group
6. Arrangements subject to a Taxpayer Alert

To assess the level of risk regarding your group's trust distribution arrangements and to mitigate application of s.100A, please contact us.

Proposed Technology Investment Boost & Skills and Training Boost

Skills and training boost

A bonus deduction for small businesses that incur eligible expenditure on external training for their employees between 7.30 pm (AEDT) on 29 March 2022 and 30 June 2024. The bonus deduction is calculated as 20 percent of the amount of expenditure that is both eligible for the bonus deduction and deductible under another taxation law provision.

Eligible expenditure

- for training employees, either in-person in Australia, or online
- charged, directly or indirectly, by a registered training provider and be for training within the scope of the provider's registration
- registered training provider must not be the small business or an associate of the small business
- enrolment or arrangement with registered training provider for provision of training occurs at or after 7.30 pm (by legal time in the ACT) on 29 March 2022

Technology investment boost

A bonus deduction equal to 20 percent of their eligible expenditure(capped at $20,000 per year) incurred on expenses and depreciating assets for the purposes of their digital operations or digitizing their operations between 7.30 pm (AEDT) on 29 March 2022 and 30 June 2023.

Eligible expenditure

- 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 – 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
- cyber security – cyber security systems, backup management and monitoring services

Eligible entity for the above boosts is a 'small business entity' i.e. an entity that carries on business with an aggregated annual turnover of less than $50 million.

What is Changing from 1 July 2023?

Change to the superannuation guarantee rate to 11%

From the 1 July 2023, the Superannuation Guarantee (SG) rate will increase to 11% up from 10.5% in the 2021-22 financial year.

The rate will continue to increase each year by 0.5% until SG reaches 12% on 1 July 2025.

If you currently have employees, the impact of this will depend on your employment agreements. If the employment agreement states the employee is paid on a 'total remuneration' basis (base plus SG and any other allowances), then the employee's take home pay may reduce by 0.5%. That is, a greater percentage of their remuneration will be directed to their superannuation fund. On the other hand, for your employees who are paid a rate plus superannuation, then their take home pay will remain unchanged and the 0.5% increase will be added to their SG payments.

Transfer balance cap increases to $1.9 million

Small Business Support - $20,000 instant asset write-off

As part of the 2023-2024 Budget, the Australian Government announced a temporarily increase for the instant asset write-off threshold to $20,000 for small businesses, with aggregated turnover of less than $10 million. This measure is only for the period from 1 July 2023 until 30 June 2024.

Assets valued at $20,000 or more cannot be immediately deducted and 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 after that.

While this measure is not law yet, we don't anticipate any changes to this announcement.

Deductions for working from home — revised fixed rate method

From 2023–24 actual hours worked from home will be required for entire year (i.e. no estimates). This can be based on:

- timesheets, rosters or diary kept contemporaneously
- logs of time spent accessing employer systems or online business systems
- time-tracking apps

Contact us

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