End of Financial Year 2023 Tax Strategies

As the end of financial year approaches, effective planning and preparation is crucial for all taxpayers. We are here to support you in this process. This is the time of year to seek advice from your accountant regarding legally maximising your tax savings for 2022-23 and start planning for next year.

If you need assistance with your tax planning, have any questions about your individual circumstance, or would like to know how we can assist you, please call us on

☏ 02 9948 5521

For Businesses and Employers

Temporary Full Asset Expense

The temporary full expensing provision applies to a business with an aggregated turnover of less than $5 billion or a corporate tax entity that meets the alternative income test.

The full asset expense allows a business to claim an immediate tax deduction for any depreciable asset that is installed and ready to be used in the business before 30/06/2023. This is available for new assets purchased between October 2020 – June 2023 to promote investment and improve confidence in the Australian economy.

It will only be available for trading businesses and will not include any passive investment property assets. If the business turnover is under $50 million per year, we are also able to write-off second-hand assets. These assets should be installed and ready for use by the end of the financial year. The full asset expense can significantly reduce taxable income for capital-intensive businesses. There are a range of exclusions, capital works for example (i.e. buildings, structural improvements, or earthworks), and some intangible assets such as Trademarks and Patents. The depreciation limit on cars also applies.

From 1 July 2023 however this will change to only $20,000 per asset (although the measure is not yet law):

According to the 9 May 2023 Budget, small businesses, with 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.

The $20,000 threshold will apply on a per asset basis, so small businesses can instantly write off multiple assets.

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 after that.

Carry-Back Loss Rules

For our clients that are trading as a company, and meet the eligibility test the government has re-introduced the carry-back loss. This is beneficial for a company that has had a loss in a recent year but was previously profitable and had paid tax. The loss allows a company to receive a tax refund by applying the current year tax losses against prior year taxable income. .

The company must have paid tax on trading profits during either of the 2019, 2020, 2021 or 2022 financial years and made a subsequent trading loss during the 2020, 2021, 2022 or 2023 financial years. There must also be sufficient franking credits available to apply the refund. The carry-back loss rules may be used in conjunction with the temporary full asset expense rules to claw-back some of the tax paid in prior years after generating a tax loss due to the purchase of new assets.

Making Superannuation Payments for employees

To claim a tax deduction in the 2023 financial year, you need to ensure that your employee superannuation payments have reached the employee's super fund bank account by 30 June 2023.

NB as most clearing houses may take up to five business days to pass on funds to the employee's Superfund, we strongly advise that you make your super payment no later than 6:00pm (AEST) Friday 23 June 2023. For any last - minute superannuation payments, we recommend that you arrange for a bank cheque made payable to your employee super fund prior to 30 June 2023.

Please note the Super Guarantee Contribution (SGC) rate increases to 11% from 10.5% as from 1 July 2023.

FBT Exempt Items / Tools of Trade

The purchase of Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to buy equipment with a tax benefit. Items that can be packaged include Handheld/Portable Tools of Trade, Computer Software, Notebook Computers, Personal Electronic Organisers, Digital Cameras, Briefcases, Protective Clothing, GPS navigation receivers and Mobile Phones.

If structured correctly, the Employer will be entitled to a full tax deduction for the reimbursement payment to the employee (for the equipment cost), and the employee's salary package will only be reduced by the GST-exclusive cost of the items purchased. You should buy these items before 30 June 2023.

Defer Income

Where practical, defer issuing further invoices and/or receiving cash/debtor payments until after 30 June 2023. Please note that ATO will generally require you to pay tax on income that you have either received or become entitled to due to the completion of work.

Bring Forward Expenses

Purchase consumable items before 30 June 2023. These include stationery, printing, office, and computer supplies. Make payments for repairs and maintenance (business, rental property, employment) before 30 June 2023.

Maximise your deductions

Review of debtors and writing off any that are not recoverable, review inventory and assets schedules for disposal, obsolete items, and broken item. Pay professional fees or other employment or business-related deductions prior to 30 June 2023.

Defer Investment Income & Capital Gains

If practical, arrange for the receipt of Investment Income (e.g. interest on Term Deposits) and the Contract Date for the sale of Capital Gains assets, to occur after 30 June 2023.

Capital Gains are determined by the date on which a contract is entered into. If you are considering selling shares, business, or property, you may wish to delay signing the contract until the new financial year (depending upon your level of taxable income in the year to 30 June 2023 and projected taxable income for the next year).

Private Company ("Division 7A") Loans

Business owners who have borrowed funds from their company in previous years must ensure that the appropriate principal and interest repayments are made by 30 June 2023. Loans must either be paid back to the company or have a Division 7A loan agreement entered into before the lodgement date or risk having it counted as an unfranked dividend in the return of the individual. (signed Loan Document in place).

Research and development tax incentive

A company's R&D application for the YE 30 June 2023 income year must be made by the application deadline (30 April 2024).

Year End Stock Take / Work in Progress

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as of 30 June 2023. Review your listing and write-off any obsolete or worthless stock items.

Single Touch Payroll

Single Touch Payroll (STP) is a government initiative to streamline employer reporting obligations. Using STP, employers report their employees' salaries and wages, pay as you go (PAYG) withholding and super information to the ATO from their payroll solution, at the same time they pay their employees.

Employers who report through Single Touch Payroll are not required to provide a payment summary to their employees.

Income statements will replace payment summaries. Employees can access their income statements through ATO online services via myGov, at any time. Employees will receive a notification from the ATO in their myGov inbox when their income statement is 'Tax ready', so they can complete their tax return.

Employees will be able to contact ATO for a copy of their income statement if they do not have access to myGov.

Trustee Resolutions

Ensure that Trustee Resolutions distributing income are prepared and signed before 30 June 2023 for Family (Discretionary) Trusts. New beneficiaries of trusts for the year ending 30 June 2023 – trustee must notify ATO with a TFN declaration by 31 July 2023.

Trust Distributions

The ATO has recently announced a major crackdown on Family Trust's taxation in particular where they are used to make distributions to adult dependent children paying tax at lower rates or company beneficiaries. Family groups may need to consider the use of their family trust as the new ATO regulation could be applied retrospectively.

Trust Distributions - Assess Beneficiaries

- Gifting to non-DGR (deductible gift recipient) can be via a trust distribution if the entity is income tax exempt.
- Check the Trust Deed
- Avoid Div 7A , better asset protection
- Preferable to pay cash across
- Forming a bucket company may be considered (must be before 30 June)
- Avoid family trust distribution tax.

Trust Distributions – Streaming

Review Trust deed
3 categories of income stream:- franked dividends, other income, and capital gains

Company Tax Rates

The tax rate for small companies (aggregated annual turnover of less than $50m) has been reduced to 25% from last year. These companies must also have less than 80% of their income from passive income such as rent/interest/dividends. Companies not eligible for the 25% tax rate are taxed at 30%.

The Following NSW state grants are not taxable income for eligible entities.

- NSW flood disaster recovery grant
- 2022 Small Business Support Program

(PHI) Private health insurance statements

Reminder, health insurers are no longer required to send private health insurance statements. Private health insurance information will be available on the ATO pre-fill report, usually by mid-August. If it is not populated by then, taxpayers may need to request a statement from their health insurer.

Private health insurance information is used to calculate:

- private health insurance rebates taxpayers are entitled to
- the Medicare levy surcharge, if applicable.

Tax integrity and black economy

From 1 July 2021, ABN holders will be stripped of their ABNs if they fail to lodge their income tax returns. In addition, from 1 July 2022, ABN holders will be required to annually confirm the accuracy of their details on the ABR

- Minor amendments will be made to the hybrid mismatch rules to clarify their operation from 2019.
- The ATO's Tax Avoidance Taskforce will extend its operations and expand its activities, including increasing its scrutiny of specialist tax advisors and intermediaries that promote tax avoidance schemes.
- The ATO will receive funding to increase activities to recover unpaid tax and superannuation liabilities with a focus on large businesses and high wealth individuals.

For PAYGW Employees

The ATO has announced a number of areas that they will be focusing on during tax time: work related expenses, rental property income and deductions, capital gains from crypto-assets, property, and shares, and record keeping.

Employee deductions

1.Work clothes

You can claim a deduction for the cost of buying and cleaning occupation-specific clothing, protective clothing, and unique, distinctive uniforms.

To claim a deduction, you may need to have written evidence that you purchased the items, if both of the following apply:

- the amount you claim is greater than $150
- your total claim for work-related expenses exceeds $300.

If you received an allowance from your employer for clothing, uniforms, laundry, or dry-cleaning, make sure you show the amount of the allowance on your tax return as it is assessable income. You can only claim a deduction for the amount you actually spent.

2. Home Office expenses

If you are an employee who regularly works from home, you may be able to claim a deduction for expenses relating to that work. These are generally home office running expenses, and phone and internet expenses.

In limited circumstances you may also be able to claim occupancy expenses. One such circumstance is if your home is your principal place of business.

If you have been working from home, the 'shortcut method' is available to claim 67c per hour worked on running expenses (you don't have to have a dedicated home office to use this method and it includes net, phone, electricity but not computers, office furniture which can be claimed separately as depreciation); alternatively you can use the actual cost method ;ask your accountant for more details.

3. Motor Vehicle expenses

Motor vehicle expenses you can claim include:

- fuel and oil
- repairs and servicing
- interest on a motor vehicle loan
- insurance
- registration
- depreciation (decline in value).

Motor vehicle expenses you cannot claim include:

- the private use of the vehicle
- travelling between your home and your place of business

Motor Vehicle Records

The records you need to keep depend on how you calculate your claim. You will need to keep:

- loan or lease documents
- tax invoices
- registration papers
- details of how you calculated your claim.

When you work out your deduction, you can use the cents per kilometre method (up to 5,000 business kilometres per car) or the logbook method.

Under the cents per kilometre method:

- you can claim a maximum of 5,000 business kilometres per car (the rate is $0.78 per business km)
- you do not need written evidence to show how many kilometres you have travelled, but we may ask you to show how you worked out your business kilometres (such as, calendar or diary records)
- the rate covers your running expenses and depreciation – this means you cannot make a separate claim for depreciation of the car's value.

- For claims above 5,000 business kilometres you can use the logbook method or claim the actual costs.

Motor Vehicle Logbook

If you use the logbook method, you can claim the business-use percentage of each car expense, based on the logbook records of your car's usage.

The logbook (maintained for a 12week period) must contain the following information:

- when the logbook period begins and ends
- the car's odometer readings at the start and end of the logbook period
- the total number of kilometres the car travelled during the logbook period.
- the business-use percentage for the logbook period
- the number of kilometres travelled for each journey) – you will need to record the
    - start and finishing dates of the journey.
    - odometer readings at the start and end of the journey
    - kilometres travelled.
    - reason for the journey (such as a description of the business reason)
- the odometer readings at the start and end of each income year you use the logbook method.

Note - if your circumstances change, such as a change in the type of work undertaken by your business, you may need a new logbook. The log is valid for 5 years. The ATO provide a free LOGBOOK App called MyDeductions.

4. Meal allowance

If you have been paid an overtime meal allowance and have purchased food and drinks with the allowance, you can claim up to the reasonable limit as a deduction in your tax return (without receipts).

If you spend more than the reasonable allowance, you need to have written evidence for all the expense.

If the allowance isn't on your payment summary and wasn't more than the reasonable allowance, you don't have to include the amount in your tax return if you didn't spend the full amount and don't claim a deduction for the expense.

5. Travel allowance

Travel allowances on your payment summary do not usually have tax taken out by your employer. If the allowance is less than the ATOs guidelines for a reasonable (daily) allowance, you can usually claim the full allowance as a deduction. Where tax has been taken out (as the allowance is above the ATOs reasonable rate) you can deduct the extra amount if you have receipts to prove the expenses.

6. Education/training

You can claim education/training courses if:

-Upgrading current skills (e.g. Bachelor to master's degree)

-Improving specific skills (e.g. a course to operate more machines at work)

-Undertaking Traineeship courses

-You can show the course will likely lead to increased income.

7. Tools & Equipment

Tools and equipment bought to help earn income can be claimed where the cost is below $300. Only the percentage used for work can be claimed. Items costing above $300 are depreciated over several years. Examples of items that may be claimed are: computers, desks, chairs, hand tools, technical instruments.

8. Mobile phone & internet

If you use your own phones or internet for work purposes, you may be able to claim a deduction if you have paid for these costs and have records to support your claims.
If you use your phone or internet for both work and private use, you will need to work out the percentage that reasonably relates to your work use. If you have a phone plan where you do not receive an itemised bill, you determine your work use by keeping a record of all your calls over a four-week representative period and then calculate your claim using a reasonable basis.

9.Investment Property Depreciation

If you own a rental property and have not already done so, arrange for the preparation of a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

Since 1 July 2017, the Government has **disallowed** deductions for travel expenses relating to inspecting, maintaining, or collecting rent for a residential rental property. It has also limited ‘plant and equipment’ depreciation deductions to new outlays by investors in residential real estate properties.

10.Rules apply for selling property

A reminder regarding the rules applying to sales of taxable Australian real property with a market value of $750,000 or more. A 12.5% non-final withholding tax will be incurred for all contracts entered on or after 1 July 2017, unless a clearance certificate or variation certificate is obtained.

If you are selling real property with a market value of $750,000 or more and are:

- an Australian resident vendor, you can avoid the 12.5% withholding by providing a clearance certificate to the purchaser prior to settlement
- a foreign resident vendor, you may apply for a variation of the withholding rate.

Purchasers must pay the amount withheld at settlement to the ATO.

11.Claiming Personal super contribution deductions

Taxpayers can claim a personal super contribution deduction up to the cap of $27,500.

Note: the cap includes any employer contributions.

Those who wish to claim a deduction need to:

Make personal after-tax super contributions directly to their super fund before 30 June 2023, if they have not already contributed this financial year

Provide their fund with a ‘notice of intent to claim or vary a deduction for personal super contributions’.

Obtain acknowledgement from their fund of their notice of intent before their 2023 tax return can be lodged.

Spouse superannuation contributions

Spouse superannuation contributions can now be made for spouses earning up to $40,000 per year. If your spouse has earnings below $37,000 you can claim the maximum tax offset of $540 when you contribute $3,000 to his/her super.

Super contributions Caps

There are caps on the amount you can contribute to your super each financial year to be taxed at lower rates. If you contribute over these caps, you may have to pay extra tax.
The cap amount and how much extra tax you have to pay may depend on your age, which financial year your contributions relate to, and whether the contributions are:

Concessional (pre-tax) contributions to your super include:

- employer contributions (superannuation guarantee)
- any amount you salary sacrifice into super
- personal contributions you claim as a personal super contribution deduction.

You can make superannuation contributions, if you are under the contributions limits and eligible to claim a deduction. The concessional superannuation cap for 2023 is $27,500.
It is advisable not to go over this limit as you will pay more tax. Note that employer super guarantee contributions are included in these caps. Where a contribution is made, that

exceeds these limits, the excess is taxed to the fund member's account at your marginal tax rate.

Concessional Super Cap rollover/carry forward

From 1 July 2018, members can make 'carry-forward' concessional super contributions if they have a total superannuation balance of less than $500,000. Members can access their unused concessional contributions caps on a rolling basis for five years. Amounts carried forward that have not been used after five years will expire.

The first year in which you can access unused concessional contributions is the 2019–20 financial year.

Non-concessional (after-tax) contributions include:

- personal contributions for which you do not claim an income tax deduction, and
- spouse contributions.

You can make non-concessional super contributions of up to $110,000 in the 2023 tax year.

To find out how much you contributed into your super fund to ensure you do not go over the caps, contact your superfund or call the ATO on 13 10 20.

If you need assistance with your tax planning, have any questions, or would like to know how we can assist you to legally minimise your tax, please do not hesitate to call us on: ☏ 02 9948 5521

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