CARBONI & CO
CHARTERED ACCOUNTANTS

"Making Your Business Count"

1. **Tax Planning Tips**

As we approach the end of the financial year, it is always a good time to take a look at tax planning strategies to reduce the final year end tax bill.

Common strategies to reduce tax include the following:

Deferring Income	Most taxpayers will not be assessed on income until received, consider delaying the receipt of income until next financial year.
Increase Expenditure	Individual taxpayers may claim an immediate deduction for items costing less than $300 provided used predominantly to earn non-business income (eg salary/wages). eg. tools. If spend more than $300, generally claim only depreciation on work related equipment over useful life of asset. Claim for first tax year apportioned based on number of days owned during year. If a small business (ie. annual turnover less than $10 Million), consider spending up to $30,000 (GST Exclusive) which is immediately deductible for the 2019 year if purchased before 30 June 2019 and installed ready for use. The instant asset write-off threshold has been increased to $30,000 and extended to 30 June 2020. If you purchase an asset (new or second hand) costing less than $30,000 and it is used or installed ready for use from 7:30pm AEDT on 2 April 2019, you can claim a deduction for the business portion. Different thresholds apply for assets purchased before that date: • from 29 January 2019 until before 7.30pm AEDT on 2 April 2019, the threshold is $25,000 • before 29 January 2019, the threshold is $20,000. Eligible assets egs - cars, vans, kitchens, machinery, etc. Not eligible items are stock, software for business and Marketing costs.

Prepayments and Accelerated Deductions. (small business)	For small business taxpayers (ie. turnover <$10 Million), consider claim a deduction for payments in advance where • Less than $1,000; • Under contract for service (eg. salary and wages); • Services received within 13 months Employee/Directors bonuses are deductible if incurred by the year end 30 June 2019 if evidence of intention to pay – ie passing of resolution/ minute.
Defer Capital Gains Tax	Capital Gains are taxed in the year when contracts are exchanged (not settled). If expecting a large capital gain from the sale of property or shares, consider the following to reduce possible tax: o delaying the exchange of contracts until the next financial year to defer any tax payable; o selling non-performing shares for a capital loss to offset against any capital gain. o consider (if you have them) capital losses available from prior years to offset against gains. (excludes losses from collectables); Ensure Property or shares held for at least 12 months to access the 50% general discount for individuals (if eligible for discount);
Superannuation Deductions	For employers, to ensure superannuation for the quarter ended 30 June 2019 is tax deductible, must be paid before 30 June 2019. . For employees (in particular those nearing retirement), consider salary sacrificing additional superannuation contributions which are taxed in a complying superfund at 15%. Recent changes now mean that a persons who receives Employer Superannuation Support (ie. 9.5% gross wages for most), can now claim a tax deduction for personal superannuation contributions made, up to cap limits (see below). Note that employer contributions count towards this limit.

	The previous rule requiring persons to receive no more than 10% assessable income from an employer during the year to be eligible to claim super deduction has been removed. Individuals who are aged between 65 and 75 will need to meet the work test to be eligible to claim the deduction. The work test requires persons to work at least 40 hrs in 30 consecutive days during financial year. If able to claim a tax deductible contribution for super, (these are known as concessional contributions) consider making to reduce taxable income. For the 2018/2019 the total allowable limit is $25,000 per person. Age no longer relevant assuming eligible to claim (see above). Both employer and personal contributions count towards this limit. If exceed the concessional cap limit, additional tax may be payable. Please note that in considering to make a concessional contribution for year end 30 June 2019, if you earn more than $250K, additional tax is payable on concessional contributions at 15%.
Non Concessional Super Contributions and Bring Forward Rule	Non concessional contributions are those to which no tax deduction is claimed for these when made to fund. Limits for non-concessional contributions for year end 30 June 2019 is $100,000 per person. Excess contributions may attract more tax. Under Bring Forward rules, if you are aged under 65 years of age, you can bring forward total of 3 years contributions in one year, and that translates into non-concessional super contributions of $300,000 for the 2018/2019 year), before you would exceed the non-concessional cap. Caution required under bring forward rules required to ensure do not exceed cap limits due to prior contributions.

	Consider effect of contributions towards new maximum limit of $1.6Million allowed in pension balance from 01 July 2017.
Super Co-Contributions	For taxpayers with assessable income <$37,697 per year, the Government will contribute 50c for each $1 of after tax contributions by taxpayers, up to a $500 maximum co-contribution. Super co-contributions extend to the self employed. Co-contributions reduces if income > $37,697 and phases out at $52,697.
Spouse Super Rebate	A taxpayer can receive a tax rebate of up to $540 for super contributions made for a spouse who has income <$40,000 and is under 65 yrs or if spouse 65-69 yr old, must have worked 40 hours in 30 consecutive days (work test). Rebate is 18% of contribution amount up with max contribution $3,000.
Bad Debts	Write off bad debts before 30 June 2019 to obtain a tax deduction. To be validly claimed the debt must have previously been included as assessable income and written off in the debtors ledger.
Transition to Retirement Pension	Once preservation age is reached transition to retirement income streams are a measure that allow individuals who have reached preservation age to access their superannuation benefits and continue working. The total payments made in a financial year must be no more than 10 per cent of the account balance as at 1 July of each year. From preservation age – age 59 the taxable component included in assessable income and taxed at marginal tax rates with 15 per cent tax offset. From age 60 pensions are Tax-free. Effective 1 July 2017, the tax exemption on earnings within TTR pension account will be removed for recipients who have not yet retired.

Trust Distribution Resolutions	Due to recent court cases, the ATO now requires trust distributions for the 2019 year to be made by 30 June 2019. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2019 at 47%.
First Home Super Saver Scheme	The FHSS Scheme allows you to save money for a first home inside your superannuation fund. The scheme provides concessional tax treatment within super. From 1 July 2017 you can following voluntary contributions into your super fund to save for your first home: · Concessional contributions – including salary sacrifice amounts or contributions for which a tax deduction has been claimed. These are taxed at 15%. · Non-concessional contributions – these are made after tax or where a tax deduction has not been claimed. · You can apply for the release of voluntary contributions up to a maximum of $15,000 from any one financial year and $30,000 in total across all years. You can contribute up to your existing superannuation contribution caps. Conditions apply to qualify.
Contributing proceeds of downsizing into superannuation	From 1 July 2018, the Australian Government introduced the Contributing the proceeds of downsizing into superannuation measure. This measure applies to the sale of your main residence, where the exchange of contracts for the sale occurs on or after 1 July 2018. If you are 65 years old or over and meet the eligibility requirements, you may be able to choose to make a downsizer contribution into your superannuation of up to $300,000 from the proceeds of selling your home. Your downsizer contribution will not count towards your contributions caps or be affected by the total superannuation balance test in the year you make it. However, it will count towards your total super balance and transfer balance cap, currently set at $1.6 million. This cap applies when you move your super savings into retirement phase. You can only make downsizing contributions for the sale of one home. Conditions apply.

2. **What's new for 2019/2020 tax year.**

The individual resident tax rates commencing 1 July 2019 are as follows remain unchanged:

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $37,000	19c for each $1 over $18,200
$37,001 – $90,000	$3,572 plus 32.5c for each $1 over $37,000
$90,001 - $180,000	$20,797 plus 37c for each $1 over $90,000
Over $180,000	$54,097 plus 45c for each $1 over $180,000

** Please note the above rates do not include Medicare Levy of 2% on taxable income and any Medicare Levy Surcharge (1.0-1.5%) which may be applicable.

Superannuation Guarantee rate will remain at 9.5%.

2019 -2020 Personal tax cuts: low–mid tax offset increase budget measures subject to measures passing the senate at time of writing

In the 2019–2020 Federal Budget, the Coalition Government announced its intention to provide further reductions in tax through the non-refundable low and middle income tax offset (LMITO).

Under the changes, the maximum reduction in an eligible individual's tax from the LMITO will increase from $530 to $1,080 per year. The base amount will increase from $200 to $255 per year for 2018–2019, 2019–2020, 2020–2021 and 2021–2022 income years.

In summary:

- The LMITO will now provide a tax reduction of up to $255 for taxpayers with a taxable income of $37,000 or less.
- Between taxable incomes of $37,000 and $48,000, the value of the offset will increase by 7.5 cents per dollar to the maximum offset of $1,080.
- Taxpayers with taxable incomes between $48,000 and $90,000 will be eligible for the maximum offset of $1,080.
- From taxable incomes of $90,000 to $126,000 the offset will phase out at a rate of 3 cents per dollar.

Small business company income tax rate remain at 27.5% for 2020 year. Small business threshold has increased.

For the 2018/2019 year the threshold as to what is small business was raised to $50 Million. Note that turnover of connected entities is included in the calculation of company turnover. For 2019/20 the threshold has remained at $50 Million. All other companies will continue to be subject to the current 30% tax rate on all their taxable income.

2 Single touch payroll extends to small employers with 19 or less employees from 1 July 2019

Single Touch Payroll (STP) is a new way of reporting tax and super information to the ATO. If you are using a solution that offers STP reporting, such as payroll or accounting software, you will send your employees' tax and super information to us each time you run your payroll and pay your employees. The information is sent to ATO either directly from your software, or through a third party – such as a sending service provider.

There will also be a number of options available for employers who do not use payroll software, such as No-cost and low-cost Single Touch Payroll solutions.

Large employers with 20 or more employees should now be reporting through STP, or have applied to ATO for a later start date.

Single Touch Payroll (STP) extends to small employers with 19 or less employees from 1 July 2019. Employers with 19 or less employees do not need to report closely held payees in 2019-20. A closely held payee means the payee is directly related to the entity from which they receive payments, for example:family members of a family-owned business, directors or shareholders of a company, trustees or beneficiaries of a trust.

There is a three-month transition period so you can start reporting any time from 1 July – 30 September.

** Note that information above is general in nature. Seek further advice before making decisions. **