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. From 12 March 2020 until 30 June 2020, the instant asset write-off: threshold amount for each asset is $150,000 (up from $30,000) eligibility has been expanded to cover businesses with an aggregated turnover of less than $500 million (up from $50 million). Note: Announcement to extend to 31/12/20 but not yet law. If a small business (ie. annual turnover less than $500 Million), consider spending up to $150,000 (GST Exclusive) which is immediately deductible for the 2020 year if purchased before 30 June 2020 and installed ready for use. Note passenger vehicles limited to claim for $57,581 being ATO imposed cost limit. If you purchase an asset (new or second hand) costing less than $150,000 and it is used or installed ready for use from 12 March 2020, you can claim a deduction for the business portion. Different thresholds apply for assets purchased before that date: • from 7.30pm AEDT on 2 April 2019 to 12 March 2020, the threshold is $30,000 (applies to eligible businesses < $50 million turnover)

	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 2020 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: • delaying the exchange of contracts until the next financial year to defer any tax payable; • selling non-performing shares for a capital loss to offset against any capital gain. • 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 2020 is tax deductible, must be paid before 30 June 2020. (These are known as concessional contributions) For employees (in particular those nearing retirement), consider salary sacrificing additional superannuation contributions which are taxed in a complying superfund at 15%. Employees can now claim a tax deduction for personal superannuation contributions made, up to cap limit ($25,000pa). Note that employer contributions count towards this limit. If

	exceed the concessional cap limit, additional tax may be payable. Individuals who are aged between 65 and 74 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. Please note that in considering to make a concessional contribution for year end 30 June 2020, if you earn more than $250K, additional tax is payable on concessional contributions at 15%. The law requires that a personal super contribution deduction can only be claimed where an individual has received an acknowledged notice of intent from their super fund prior to lodging their income tax return. A Notice of intent to claim or vary a deduction for personal superannuation contributions form has to be lodged with fund before 30 June 2020.
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 2020 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 2019/2020 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 <$38,564 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 > $38,564 and phases out at $53,564
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 2020 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 2020 year to be made by 30 June 2020. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2020 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.

Small business company income tax rate remain at 27.5% for 2020 year. Company tax rate decrease to 26% from 1 July 2020	• Consider delaying the receipt of income until next financial year (2021). • Consider bringing forward deductions in current financial year (2020). • If possible, consider paying more dividends in 2020 year at 27.5% to avoid wastage of franking tax credits when company tax rate reduces to 26%
Jobkeeper Wage Subsidy **JobKeeper payments are assessable income of the business**	• Consider eligibility for jobkeeper. If business has an annual turnover of less than $1 billion and they estimate their turnover has fallen or will likely fall by 30 per cent or more compared to same month a year earlier, will be eligible. • For qualification from the start of the scheme, the turnover month used can be either March 2020 or April 2020. To qualify at a later time, the turnover month can also be May, June, July, August or September 2020, provided that the turnover month is the month in which the first fortnight for which you claim the JobKeeper payment ends, or another earlier month. • All JobKeeper payments are assessable income of the business that is eligible to receive the payments. The normal rules for deductibility apply in respect of the amounts your business pays to its employees where those amounts are subsidised by the JobKeeper payment.

2. **What's new for 2020/2021 tax year.**

The individual resident tax rates commencing 1 July 2020 are 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%.

Super Guarantee Amnesty measure receives royal assent 6 March 2020 Amnesty to end 6 September 2020

- Superannuation Guarantee amnesty from 24 May 18 to 6 September 2020 (ATO is giving employers until 11.59pm 7 September 2020)
- Employers can self-correct historical underpayments of SG (1 July 92 to 31 March 18) without incurring additional penalties.
- Higher penalties apply if employers don't self-correct
- Employers must pay SG directly to ATO under amnesty.

2019 -2020 Personal tax cuts: low and middle income tax offset

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 until end of 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. From 1 July 2020 company tax rate reduces to 26%.

For the 2019/2020 year the threshold as to what is small business has remained at $50 Million. Note that turnover of connected entities is included in the calculation of company turnover. For 2020/21 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.

Increased small business income tax offset

- You can claim the small business income tax offset if you either:

-are a small business sole trader.
-have a share of net small business income from a partnership or trust.

- From the 2016–17 income year, the small business income tax offset increased to 8%, with a limit of $1,000 each year.
- applies to small businesses with turnover less than $5 million.

- The tax offset increases to 13% in 2020–21 and to 16% from the 2021–22 income year.

Single touch payroll extends to small employers with closely-held employees from 1 July 2020

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 and small employers with 19 or less employees should now be reporting through STP.

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.

Small employers (19 or less employees) with closely held payees are exempt from reporting their closely held payees for the 2019–20 financial year. You will need to report through STP from 1 July 2020 and you will have the option to report your closely held payee information quarterly.

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