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 (e.g., salary/wages). e.g., 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. **Temporary full expensing -** From 7:30pm AEDT 6 October 2020, businesses with turnover under $5.0bn can deduct 100% depreciation on business- use of assets: • First used; or • Installed and ready for use by 30 June 2023 • eligible assets of small business entities using the simplified depreciation rules and the balance of their small business pool. • If writing off second-hand assets, only businesses with turnover under $50m are eligible. If business (i.e. annual turnover less than $5billion), consider spending on depreciating asset which is immediately deductible for the 2022 year if purchased before 30 June 2022 and installed ready for use. Note passenger vehicles limited to claim for $60,733 being ATO imposed cost limit. 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 (i.e., turnover <$50 million), consider claim a deduction for payments in advance where • Less than $1,000; • Under contract for service (e.g., salary and wages); • Services received within 13 months.

	Employee/Directors bonuses are deductible if incurred by the year end 30 June 2022 if evidence of intention to pay – i.e., 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); 1/3% discount for superannuation funds.
Superannuation Deductions	For employers, to ensure superannuation for the quarter ended 30 June 2022 is tax deductible, must be paid before 30 June 2022. (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 ($27,500pa). Note that employer contributions count towards this limit. If exceed the concessional cap limit, additional tax may be payable. Individuals who are aged between 67 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 making a concessional contribution for year end 30 June 2022, 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 2022. From 1 July 2022 the Superannuation Guarantee Charge increases from 10% to 10.5%.
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 2022 is $110,000 per person. Excess contributions may attract more tax. Under Bring Forward rules, if you are aged under 67 years of age, you can bring forward total of 3 years non-concessional contributions in one year, and that translates into non-concessional super contributions of $330,000 for the 2021/2022 year), before you would exceed the non-concessional cap (if your total super balance on 30 June of the previous financial year is less than $1.48 million). 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 $1.7Million allowed in pension balance from 01 July 2021.
Super Co-Contributions	For taxpayers with assessable income <$41,112 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 > $41,112 and phases out at $56,112
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 67 yrs or if spouse 67-69 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 2022 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. Temporary 50% reduction in minimum annual payment amounts for super pension & annuities will be extended by a further year to 30 June 2023.
Trust Distribution Resolutions	Due to recent court cases, the ATO now requires trust distributions for the 2022 year to be made by 30 June 2022. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2022 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. The maximum amount of voluntary super contributions that can be released under FHSS scheme will be increased from $30,000 to $50,000 from 1 July 2022.
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 $1.7 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. The minimum eligibility age to make downsizer contributions into super will be reduced from 65 to 60 from 1 July 2022.

Companies - Loss carry back rules – dealing with losses 2022	Loss carry back allows losses incurred in 2020, 2021, 2022 and 2023 years to be offset against prior profits made in or after the 2018-19 financial year. The effect – can get a refundable tax offset – i.e., cash back for tax on prior year profits. Conditions apply i.e., need to be corporate entity, turnover < 5 billion, entity has lodged current tax return and past 5 years tax return. The limitations: The amount cannot exceed: • the amount of earlier tax paid by the entity; and • the entity's franking account balance at the end of the income year for which the refundable tax offset is claimed. **A tax planning possibility is a depreciating asset is purchased that causes a loss. The loss can be offset against profit in 2018-19, 2019-20 or 20-21 year and receive a tax refund for any tax paid. (Limited to franking account balance for the year tax offset claimed).** **May impact ability to frank dividends in future.**
JobMaker hiring credit scheme	Scheme runs from 7 Oct 2020 to 6 Oct 2022 Credit for each new job created over the next 12 months for which eligible person (aged 16 to 35) is hired. Employer paid up to $200 per week for each eligible additional employee aged 16 to 29 & up to $100 per week for each eligible additional employee aged 30 to 35. How to make a claim - via ATO Online services or Business Portal The pre-employment condition is that for at least 28 of the 84 days immediately before the commencement of employment of the individual, the individual was receiving the following payments - parenting payment; - youth allowance or - JobSeeker payment.

2. **What's new for 2022/2023 tax year.**

The individual resident tax rates commencing 1 July 2021 are unchanged:

Rate 1 July 2020 to 30 June 2024	Rate
0 – $18,200	Nil
$18,201 - $45,000	19%
$45,001 - $120,000	32.5%
$120,001 - $180,000	37%
$180,001+	45%

** 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 increase to 10.5% from 10%.

2021 -2022 Personal tax cuts: low- and middle-income tax offset

In the 2022–2023 Federal Budget, the Coalition Government announced its intention to extend further reductions in tax through the non-refundable low- and middle-income tax offset (LMITO) to 2021 -2022 year.

The maximum reduction in an eligible individual's tax from the LMITO is $1,500 per year. The base amount is $675 per year until end of 2021–2022 income years.

In summary:

- The LMITO will provide a tax reduction of up to $675 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 $1,500.
- Taxpayers with taxable incomes between $48,000 and $90,000 will be eligible for the maximum offset of $1,500.
- 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 is 25% for 2022 year. This rate will remain the same for the 2023 year.

For the 2021/2022 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 2022/23 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.

Single touch payroll extends to small employers with closely-held employees from 1 July 2021 and phase 2 Single Touch payroll from 1 January 2022

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.

STP Phase 2 doesn't change the way your employees give you information about their tax circumstances. Your employees should still give you a completed TFN declaration.
When you start reporting through STP Phase 2, the employment and taxation information in your STP report will replace sending TFN declarations to the ATO.

You must report information about your employees' employment basis each pay according to their work type. (For eg full-time or part-time).

Your STP Phase 2 report will include a 6-character tax treatment code for each employee. The tax treatment code is an abbreviated way of telling ATO about factors that can influence the amount you withhold from payments to your employees

Age restrictions on contributions lifted from the 2022-23 year. From 1 July 2022, access to the non-concessional contribution bring forward rule will extend to individuals who are age 74 or less on 1 July of a financial year.

From 2022–23 financial year onwards, your SMSF can accept non-mandated contributions for members under 75 years and there is no requirement to meet the work test.

Non-mandated contributions include:
- contributions made by employers over and above their super guarantee or award obligations (such as salary sacrifice contributions)
- member contributions – these are contributions made by or on behalf of a member, such as
  - personal contributions
  - eligible proceeds from primary residence disposal (downsizer contribution)
  - super co-contributions
  - eligible spouse contributions
  - contributions made by a third party, such as an insurer.

Therefore from 1 July 2022, taxpayer can make a non-mandated contribution if they are aged from 67 -74 without meeting the work test. In 2022, the work test had to be met for certain non-mandated contributions if the member was aged from 67-74.
A taxpayer will need to meet the work test to claim personal super contribution deductions (From 67 -74).

How the bring-forward arrangement works from 1 July 2021

The amount of the non-concessional contributions cap you can bring forward is either:

- 3 times the annual non-concessional contributions cap over 3 years (that is, $330,000) if your total super balance on 30 June of the previous financial year is less than $1.48 million
- 2 times the annual cap over 2 years (that is, $220,000) if your total super balance on 30 June of the previous financial year is above $1.48 million and less than $1.59 million
- nil ($0) if your total super balance is $1.59 million or above.

This measure may provide the opportunity for individuals to increase their superannuation savings into super which is a tax-effective environment.

This measure may also give individuals the opportunity to make their estate plans tax-effective if they expect their superannuation death benefit will be paid to adult children. By withdrawing monies from super and recontributing non-concessional contributions individuals may increase the tax-free component of their account. This may result in lower tax on death benefits.

Director Identification Numbers – DIN (mandatory from 30 November 2022)

Effective 30 November 2022, directors of Australian Companies will be required to have obtained a Director Identification Number (DIN), which is a unique 15 digit number specific to an individual who is a director of an Australian company registered with ASIC.

The purpose of having a DIN is to reduce the use of false and fraudulent director identities, identify and eliminate director involvement in unlawful activities and to assist external administrators/regulators in tracing director relationships.

If became company director after 1 November 2021, different rules apply depending on date of becoming a director.

Below is a link with further information and how to apply. It is currently free to apply. You need a myGov ID as part of the process, which is the preferred method to link to the Australian Government.

Director identification number | Australian Business Registry Services (ABRS)

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