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 will be ending 30 June 2023. From 1 July 2023, small business (<$10m turnover) will only be able to claim deduction up to $20K . See further details about new instant asset write-off rules at section 2.** **Temporary full expensing ends 30 June 2023 -** 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 2023 year if purchased before 30 June 2023 and installed ready for use. Note passenger vehicles limited to claim for $ 64,741 being ATO imposed cost limit. Eligible assets egs - cars, vans, kitchens, machinery, etc. Not eligible items are stock, software for business and Marketing costs.

Small Business Technology Investment Boost from 7:30 pm AEDT 29 March 2022 **until 30 June 2023** – Small business (with aggregated annual turnover of less than $50 million) will be able to deduct an additional 20 per cent of the expenditure incurred for the purposes of business digital operations or digitising its operations on business expenses and depreciating assets such as portable payment devices, 1 of 3 cyber security systems or subscriptions such as MYOB or Xero to cloud based services.

An annual $100,000 cap on expenditure will apply to each qualifying income year. Businesses can continue to deduct expenditure over $100,000 under existing law.

For eg suggest if purchase laptop that costs < $100k purchase before 30 June 2023 to get additional 20% deduction.

Small Business Skills and Training Boost - small businesses with an aggregated annual turnover of less than $50 million will be able to deduct an additional 20% of expenditure that is incurred for the provision of eligible external training courses to their employees by registered providers in Australia.

Small business energy incentive from 1 July 2023 – provide businesses with an annual turnover of less than $50 million with an additional 20% deduction on spending that supports electrification and more efficient use of energy.

Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.

The measure will help small businesses make investments like:

- electrifying their heating and cooling systems
- upgrading to more efficient fridges and induction cooktops
- installing batteries and heat pumps.

Up to $100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being $20,000 per business.

	If intend to purchase energy efficient fridge, purchase after 1 July 2023 so can obtain extra 20% deduction.
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 2023 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 2023 is tax deductible, must be paid before 30 June 2023. (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

Suite 67, 42-46 Wattle Rd BROOKVALE NSW 2100
PO Box 423 SEAFORTH NSW 2092
Ph: (02) 99072985 Email: enquiry@carbonico.com.au

	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 2023, 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 2023. From 1 July 2023 the Superannuation Guarantee Charge increases from 10.5% to 11%.
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 2023 is $110,000 per person. Excess contributions may attract more tax. Under Bring Forward rules, if you are aged under 75 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 2022/2023 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.

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Super Co-Contributions	For taxpayers with assessable income <$42,016 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 > $42,016 and phases out at $57,016.
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. Rebate is 18% of contribution amount up with max contribution $3,000.
Bad Debts	Write off bad debts before 30 June 2023 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 and **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.

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	Temporary 50% reduction in minimum annual payment amounts for super pension & annuities will be now finish on 30 June 2023 (due to finish of Covid19 restrictions) Consider effect of contributions towards new maximum limit of $1.9 Million allowed in pension balance from 01 July 2023.
Re-contribution strategy	**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.
Trust Distribution Resolutions	Due to recent court cases, the ATO now requires trust distributions for the 2023 year to be made by 30 June 2023. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2023 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 $50,000 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 55 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 transfer balance cap will increase to $1.9 million from 1 July 2023.

Companies - Loss carry back rules – dealing with losses 2023	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, 20-21, 20-22 and 22-23 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.**

2. **What's new for 2023/2024 tax year.**

The individual resident tax rates commencing 1 July 2023 are unchanged:

Rate 1 July 2023 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 11% from 10.5%.

The low- and middle-income tax offset ceased on 1 July 2022 and has been fully replaced by low income tax offset.

Small Business – $20,000 instant asset write-off from 1 July 2023 (temporary full expensing ends)

The instant asset write-off threshold will temporarily increase to $20,000, from 1 July 2023 until 30 June 2024.

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.

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.

Small Business Skills and Training Boost from 7:30 pm AEDT 29 March 2022 until 30 June 2024.

The small businesses with an aggregated annual turnover of less than $50 million will be able to deduct an additional 20% of expenditure that is incurred for the provision of eligible external training courses to their employees by registered providers in Australia.

Small business energy incentive from 1 July 2023

This will provide businesses with an annual turnover of less than $50 million with an additional 20% deduction on spending that supports electrification and more efficient use of energy.

Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024.

The measure will help small businesses make investments like:
- electrifying their heating and cooling systems
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Up to $100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being $20,000 per business.

Transfer balance cap to increase from $1.7m to $1.9m from 1 July 2023

Consider effect of contributions towards new maximum limit of $1.9 Million allowed in pension balance from 01 July 2023

If an individual starts to have their first retirement phase income stream on or after 1 July 2023 their personal transfer balance cap will be set at $1.9m. However if an individual started to have a transfer balance account before 1 July 2021, they will have a transfer balance cap between $1.6m and $1.7m. (which may be subject to proportional indexation on 1 July 2023 according to the "unused cap percentage" if they have not fully utilised their personal cap).

Therefore, if individual is thinking about starting retirement phase income stream, they can put $200,000 more into tax-effective pension if they delay their pension to start from 1 July 2023 (cap $1.9m) than if they commence before then (cap $1.7m).

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)

Super Fund NALI to be capped at twice general expense under NALI/NALE rules

Non-arm's length income (NALI) and expenses (NALE) rules will be amended so that income taxable as NALI will be limited to twice the level of a general expense for SMSFs and small APRA funds. For eg if Fund does not charge $1,500 NALE expense then $3k will be treated as NALI and taxed at higher rate.

Small Business – Lodgment Penalty Amnesty Program

The amnesty applies to overdue income tax returns, business activity statements and fringe benefits tax returns that were due between 1 December 2019 and 28 February 2022. If eligible overdue forms are lodged between 1 June 2023 and 31 December 2023, any failure to lodge penalty applying to the late lodgment will be remitted. No action is required to request a remission.

To be eligible for the amnesty the small business must have had an annual turnover of less than $10 million at the time the original lodgment was due. This does not apply to privately owned groups, or individuals controlling over $5 million of net wealth.

Super tax changes for account balances above $3million from 1 July 2025 (not yet law)

The tax rate for superannuation fund earnings for individuals with account balances above $3m to increase to 30%. The 15% tax rate will continue for account balances below $3 million

With these Super changes - for balances below $1.9m, super is still tax-effective investment. The excess over $3m, Superannuation is not as tax-effective. Other investments may be more tax-effective for retirement planning for the balance over $3m.

HELP repayment thresholds and rates for 2023-24; study and training loan indexation rate

The government has updated the repayment incomes and repayment rates for the Higher Education Loan Program (HELP) for the 2023-24 income year. The minimum repayment income for the 2023-24 income year is $51,550 (ie no repayment is required for amounts up to and including $51,549). This is up from $48,361 for 2022-23.

The indexation rate for 2023 is 7.1% (increased from 3.9%).

NSW: legislation to abolish annual property tax

The NSW government has introduced legislation to repeal the former government's First Home Buyer Choice ("FHBC") scheme. The FHBC scheme offers a choice between stamp duty or a lower, annual property tax. The First Home Buyer Legislation Amendment Bill 2023 will close off access to the FHBC scheme on Saturday 1 July 2023.

There are "grandfathering" provisions so first home buyers who opted into the annual property tax can continue to pay that tax until they sell their property.

In its place, under the changes to the First Home Buyers Assistance scheme, the threshold for stamp duty exemptions for first home buyers will be lifted from $650,000 to $800,000 and stamp duty concessions available from $800,000 to $1 million.

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

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