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. 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 2025. 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. If a business, consider spending on depreciating asset which is immediately deductible for the 2024 year if purchased before 30 June 2024 and installed ready for use. Note passenger vehicles limited to claim for $ 68,108 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 Skills and Training Boost from 29 March 2022 until 30 June 2024 -** 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 before 30 June 2024 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 2024 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 2024 is tax deductible, must be paid before 30 June 2024. (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 to the fund , up to cap limit ($27,500pa). **Note only contributions made to fund by 30 June 2024 are claimable as tax deduction in the 2024 tax return**. 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 2024, 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 must be lodged with the fund and acknowledgment received prior to lodging 2024 personal tax return**. From 1 July 2024 the Superannuation Guarantee Charge increases from 11% to 11.5%.
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 2024 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 2023/2024 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 $1.68 million). Caution required under bring forward rules required to ensure do not exceed cap limits due to prior contributions.
Super Co-Contributions	For taxpayers with assessable income <$43,445 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 > $43,445 and phases out at $58,445.

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 2024 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. Temporary 50% reduction in minimum annual payment amounts for super pension & annuities finished on 30 June 2023 (due to finish of Covid19 restrictions). Ensure the minimum required pension has been met. 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 2023**

	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 $1.68 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 $1.68 million and less than $1.79 million • nil ($0) if your total super balance is $1.79 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 2024 year to be made by 30 June 2024. Should the ATO determine that inadequate steps were taken by the required date, they may tax the income of the trust for 2024 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 $1.9 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 increased to $1.9 million from 1 July 2023.
Carry forward concessional contributions	• If you have unused cap amounts from previous years, you may be able to carry them forward to increase your contribution caps in later years. • Allows 5 years of concessional contributions (unused) to be utilised at once if total Superannuation Balance is < $500,000 as at 30 June 2023 • This deduction may be useful if expecting large capital gain. Can offset the deduction against the gain. • Unused cap amounts are available for **5 years** and expire after this

	• Splitting of spouse contributions will increase opportunity to use concession • Catch up contributions can trigger div 293 assessment

2. **What's new for 2024/2025 tax year.**

Personal tax rates: Stage 3 (as revised) confirmed from 2024-25

The Government's revised Stage 3 tax changes (as announced on 25 January 2024 and enacted into law by the Treasury Laws Amendment (Cost of Living Tax Cuts) Act 2024) commence from 1 July 2024

The table below shows the revised rates for 2024-25. The 19% tax rate has been reduced to 16%; the 32.5% tax rate has been reduced to 30%; the 37% tax rate threshold has been increased from $120,000 to $135,000; and the 45% tax rate threshold has been increased from $180,000 to $190,000.

Rate 1 July 2024 to 30 June 2025	Rate
$0-$18,200	Nil
$18,201 - $45,000	16%
$45,001- $135,000	30%
$135,000-$190,000	37%
$190,001 +	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 11.5% from 11%.

Small Business – $20,000 instant asset write-off from 1 July 2023 extended to 30 June 2025

The instant asset write-off threshold will temporarily increase to $20,000, from 1 July 2023 until 30 June 2024. This has been extended to 30 June 2025

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 2025.

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.

Concessional cap increased from $27,500 to $30,000 from 1 July 2024. Non-concessional cap increased from $110,000 to $120,000 from 1 July 2024

Non-concessional (after-tax) contributions include:

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

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 $360,000 (for the 2024/2025 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 $1.66 million).

Caution required under bring forward rules required to ensure do not exceed cap limits due to prior contributions. (The bring forward threshold will increase from $330,000 to $360,000 from 1 July 2024).

Non-concessional contributions: Bring forward provisions		
Person's non-concessional cap for the financial year ended 30 June 2024		
TSB on 30 June 2023	Maximum NCC Cap	Bring-forward period
Less than $1.68 Million (M)	$330,000	3 Years
$1.68m to < $1.79m	$220,000	2 Years
$1.79m to <$1.9m	$110,000	No bring-forward period
$1.9m or more	Nil	N/A
Person's non-concessional cap for the financial year ended 30 June 2025		
TSB on 30 June 2024	Maximum NCC Cap	Bring-forward period
Less than $1.66 Million	$360,000	3 Years
$1.66m to < $1.78m	$240,000	2 Years
$1.78m to < $1.9m	$120,000	No bring-forward period
$1.9m or more	Nil	N/A

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

HECS/HELP debts: indexation factor will be the lower of the CPI or the Wages Price Index ("WPI")

Background

A student who receives a HELP loan under any of the student loan schemes has an "accumulated HELP debt" with the ATO. The loan is subject to yearly indexation and is interest-free.
Loans that are covered by the system include such loans
▪ HECS-HELP/
▪ OS-HELP/
* SA-HELP; / ▪
* Student Start-up Loan (SSL) Scheme;
▪ Australian apprenticeship support loan (AASL) scheme (renamed from the Trade Support Loan (TSL) Scheme).

HELP, VSL , SSL and AASL debts are repaid through the tax system (voluntary repayments can be made at any time). The amount to be repaid each year is a percentage of the taxpayer's HELP repayment income (and is notified on the income tax assessment for the year).

The percentage increases as the HELP repayment income increases. Indexation is applied to any HECS/HELP debt that's older than 11 months, once a year on 1 June. The CPI number is currently used to index debts and it was recently announced that debts will increase by 4.7% on 1 June 2024. In addition, inflation pushed the indexation rate for 2022-23 debts to 7.1%.

The indexation factor will be the lower of the CPI or the Wages Price Index ("WPI"). The quarterly WPI measures change in the price of wages and salaries in the Australian labour market over time. In a similar way to the CPI, it follows changes in the hourly rate paid to a fixed group (or "basket") of jobs.

This change will be backdated to 2022-23, i.e. the new system will apply to the 2022-23, 2023-24 and following years (noting again that the factor is applied to debts on 1 June, not 1 July).

As the WPI was lower than the CPI in 2022-23, the indexation that was applied on 1 June 2023 will be retrospectively cut from 7.1% to 3.2%. **This means that students with an outstanding debt will have it reduced with effect from 1 June 2023**.

Those students who have subsequently paid off their HECS debt based on the 7.1% rate will be eligible for refund.

An average HECS debt of $26,500 will be reduced by $1,200 due to this measure.

Costs of charging electric vehicles at home

There is an optional methodology for determining the cost of electricity when an electric vehicle (excluding plug-in hybrids) is charged at the employee's residence.

This methodology applies to employers for fringe benefits tax (FBT) purposes, effective from 1 April 2022, and to individuals for income tax purposes when computing car expenses, effective from 1 July 2022. The allowable claim is 4.20 cents per kilometre.

Alternate record keeping for fringe benefits tax apply for the FBT years ending on or after 31 March 2025

The ATO has issued new Legislative Instruments specifying the records the Commissioner will accept as an alternative to an employee declaration in respect of fringe benefits where the employer seeks to reduce the taxable value of the relevant benefit.

For example, an employee can prepare a work digital calendar rather than a travel diary, provided all the information required under the legislation is included in the calendar to apply the otherwise deductible rule.

The Legislative Instruments apply in respect of:

- temporary accommodation relating to relocation
- otherwise deductible benefits
- living-away-from-home allowance — maintaining an Australian home
- fly-in fly-out and drive-in drive-out employees
- private use of vehicles other than cars.

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