Year End Tax Planning Guide:

The end of the financial year is approaching. As you know, legitimate tax minimisation for the year can often be achieved by taking certain action prior to 30 June.

The following is a list of some of the issues you may wish to consider:

- In order to maximise benefits for the current year, it is usually helpful to prepare a preliminary assessment of your taxable income for the year to date, so that it can be seen whether or not there is a problem to fix.

- Review all deductible expenses and assessable income in the latest available figures (or prior years figures if current figures are not available) to determine the prospects for pre-payment, deferral or other action.

This is not a comprehensive list and terms and conditions may apply to some of these strategies if used in your circumstances.

If you would like to go through the possibilities with us please call well before 30 June so that there is time to implement any strategies that may be desirable.

TAX MINIMISATION STRATEGIES

In order to minimise liability to taxation for the current year, the general strategy options for most taxpayers are as follows:

1. Delay deriving assessable income.
2. Bring forward incurring deductible expenses or losses.
3. Pre-pay (up to 13 months) next year's expenses.
4. Shift income to a taxpayer with a lower marginal tax rate
5. Negative gearing strategies (extreme caution is required).
6. Make payments that receive special tax treatment e.g. certain superannuation contributions.

Warning! The circumstances under which the above principles can be applied are limited by certain conditions placed on taxpayers by the legislation e.g. not all pre-payments will be allowable as tax deductions.

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THE BENEFITS

The effect of the above actions is either to permanently reduce or eliminate the amount of tax payable or to delay the need to pay the tax for at least another 12 months.

In particular, you may benefit from tax minimisation strategies, if your taxable income for the year ended 30 June 2022 will be significantly higher than the year ended 30 June 2023. This could happen if:

- you have a 'one-off' capital gain or other irregular income amount in 2020/2022.
- you will not be working or earning as much income next year (y/e 30/06/2023).

A reduced taxable income can also have the effect of allowing receipt of Government benefits which are means tested e.g. family allowance, child day care fee relief etc

CONSIDER THE FOLLOWING ITEMS

1. Income Delay

a) Timing of Derivation of Income

b) Timing of Raising a Bill for incomplete work (Businesses)

2. Bringing Forward Deductible Expenses or Losses

a) Superannuation contributions (In addition, some individuals may be entitled to a Government Co-Contribution if they make a non-concessional contribution.).

b) Capital gains/losses - timing of transactions.

Businesses should also consider:

Stock valuation options, writing off obsolete stock/plant, bad debt write-offs, paying the Compulsory Employee Super payment before 30 June, paying the last week/month of the year's wages/bonuses before 30 June, bringing forward repairs and maintenance before 30 June.

3. Prepayment of Expenses

In certain circumstances expenses paid for before they are due will be tax deductible when they are paid, e.g. Insurance premiums, membership of organisations, travel, advertising and interest.

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OTHER YEAR END ISSUES CHECKLIST

In addition to the above, the following obligations in relation to the year about to end should be remembered:

If you use a car in producing your income you may need to

1. Record Motor Vehicle Odometer readings at 30 June.
2. Prepare a 13-week log book if your existing one is older than 5 years.

If you have started an account based pension

Ensure that you have withdrawn the annual minimum required.

If you expect a tax refund

You must nominate a bank account to which the ATO can electronically transfer your refund. The ATO will no longer be issuing cheques to individual taxpayers.

If you contribute to super

- The maximum tax deductible contribution is $27,500 for all individuals regardless of age.
- Taxpayers who receive "income" of $250,000 or more in 2021/2022 will have their tax deductible superannuation contributions taxed at 30% rather than 15%. "Income" is not Taxable Income. It is a special definition of "income" similar to that used for the Medicare Levy Surcharge.

If you will be turning 60 years of age or more at some time in 2021/2022

- You may be eligible to commence a tax free Transition to Retirement Pension (TTR) without stopping work. In addition, investment earnings on the amount in your superannuation pension account when you start the pension will also be tax free. For this reason you may wish to have an effective pension start date of 1 July 2022. If so, you need to tell your Superfund before 30 June 2022. Amounts withdrawn after your 60th birthday could be tax free.
- Superannuants who are aged 55 to 59 may also be eligible to commence a TTR but may pay tax on some of the superannuation pension received.

If you are in business or earn your income through a company or a trust

- Employer Compulsory Superannuation Obligations:

The deadline for employers to pay superannuation guarantee contributions for the 2021/22 financial year is the 28 July 2022. However, if you want a tax deduction in the 2021/22 year your superfund must receive it by 30 June 2022.

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- The rules regarding trustee distribution resolutions have changed. The trustees must make the resolution and have evidence of this by 30 June 2022 at the latest; otherwise the ATO will deem that no resolution has been made. Previously the ATO allowed up to 31 August to make the distribution resolution.
- The ATO must be notified by 31 July 2022 of any new beneficiary Tax File numbers.
- Is your Loan Account in your business in debit? Will the interest be tax deductible? Will your drawings be considered a deemed dividend? Have you paid at least the annual minimum payment required for your Div7A loan?
- Preparation of Stock Count Working Papers.
- Preparation and reconciliation of Employee PAYG Payment Summaries (Single Touch Payroll).
- Important tax concessions for small business may* apply to the 2021/2022:
  - ➢ Instant asset write-off threshold for each asset is $150,000
  - ➢ Small business income tax offset increased to 16%
  - ➢ Lower company tax rate for base rate entities reduced to 25%

New from 1 July 2022:

- The Compulsory Super Guarantee increases from 10.00% to 10.50%.
- The Compulsory Super Guarantee will be for all eligible employees regardless of how much the employee is paid.

Disclaimer: This guide contains general information only. Regrettably, no responsibility can be accepted for errors, omissions or possible misleading statements or for any action taken as a result of any material in this guide. It is not designed to be a substitute for professional advice, as such a brief guide cannot hope to cover all circumstances and conditions applying to the law as it relates to these items.

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