

As financial year end approaches, STOP for a minute and assess where you are up to:

- » Do you have a business plan you are working towards?
- » How do you plan to get ahead?
- » Do you understand your business structure – how it helps manage your revenue, optimise your tax and manage your risk?
- » Have you kept records of your expenses?
- » What is your plan to see your income and wealth grow?
- » Do you know how much taxable income you will have earned and how much tax you are liable to pay?

Federal Tax updates

- Tax reform is dead – tweaks, sweeteners, boosts, indexation changes all adding complication but no improvement or simplification.
- Instant Asset Write Off – one month until the end of financial year and the government has not yet legislated a likely \$20,000 threshold for small business.
- The Stage 3 Tax Cuts commence on 1 July. For employers this will change tax withholding rates but is not a business cost.
- Super contribution rates are increasing from 11 to 11.5% from 1 July.

What could you do with SURPLUS FUNDS?

- » Pay down debt
- » Top up your super
- » Take a holiday
- » Invest in growth

First and foremost, all wealth building decisions must be commercially viable.



If it makes sense commercially we'll help you optimise the tax consequences. Schemes based on tax minimisation rarely pay off in the long run. When used strategically, you can make the most of your surplus cash and minimise the tax consequences.

With that in mind, what can you do in the lead up to year end?

ATO CHALLENGES FAMILY TRUSTS

The Courts and ATO have made life more challenging for trustees. The ATO remains focused on section 100A where beneficiaries should receive the economic benefit of a distribution.

In a recent judgement known as *Owies Case* a family member successfully challenged their exclusion from distributions on the basis they hadn't been considered. So there is now an obligation placed on a trustee to consider potential beneficiaries of a trust – there is no obligation to distribute to a beneficiary, however a trustee should assess the merits of a potential distribution or face potential challenge.

Our planning on trust distributions in the lead in to 30 June needs to be more detailed and considered to align with the ATO position. The economic benefit of a trust distribution must flow to the nominated beneficiary.

Depreciation and Instant Asset Write Offs

We are waiting on legislation for instant asset write offs to pass Parliament. One month from year end and we don't know whether the value will be \$20,000 for small business entities (turnover <\$10M), \$30,000 for small and medium entities (turnover <\$50M) or nothing at all and we're back to depreciating all assets over \$300.

To depreciate an asset it must be installed and ready for use by 30 June 2024.

The large swings in recent years have created a disconnect between real asset values and depreciation used in accounting records and the accelerated depreciation used for tax purposes.

As an example, if a business bought an asset in 2022 for \$300,000 then for tax purposes they wrote it off completely, banked the tax deduction, the asset is worth nothing, there is no depreciation to claim and any sale proceeds are 100% assessable income. However for accounting purposes we recognize that it may have a value of \$250,000 and will depreciate further each year and when sold it may generate a gain or a loss. Your bank will see a big difference between the two outcomes and in some cases trust law and the Corporations Act will see a difference.

Electric Vehicles

If you are considering an electric vehicle for you or business employees there are FBT concessions that may be available as we described more in this article [Charge Ahead: Fringe Benefits Tax Savings on Electric Cars](#)



Vehicles, depreciation and FBT

- » You must be operating a business to qualify. If you are a sole trader or operate under the Personal Services Income provisions you do not qualify.
- » If you purchase a car (a passenger vehicle, except a motor cycle or similar vehicle, designed to carry a load less than one tonne and fewer than nine passengers) for your business, the instant asset write-off is limited to the business portion of the car limit of \$68,108 for the 2023–24 income tax year.
- » In an unfortunate twist, Fringe Benefits Tax is calculated on the full car value and is not restricted to the depreciation limit. We recommend a log book is maintained and caution before purchasing a high value vehicle in your business.
- » The car limit of \$68,108 does not apply for a non-passenger vehicle (note that not all utilities qualify under this arrangement) however there is an expectation the vehicle has minimal private use.
- » If your vehicle is written down to nil as a result of the instant asset write off, this means that you will not claim depreciation in future years and when you sell the vehicle the sale / trade-in price is effectively be treated as assessable income (subject to SBE pooling rules).
- » If you are buying a vehicle in your business, we recommend you start your logbook when you take delivery.
- » If maintaining a logbook and tracking detailed car usage and maintenance costs is not your thing, then to minimize the risk of an FBT surprise maybe keep it simple and buy a vehicle in your own name.

Are you using **CLOUD ACCOUNTING**?

Real time access to financial data can be the difference between success and failure.

If you are working from a spreadsheet or an outdated desktop accounting product, now is the time to embrace the future. Ask us how we can get you set up with a Xero file and the convenience of bank feeds, process automation, real time access to information on the go and more.

In unfortunate news, Xero subscription costs are continuing to increase. Still a great tool, just now more expensive.

Review your **BUSINESS STRUCTURE**

Your business has likely changed over the years. Have you assessed whether it is still doing what you need to do?

Do you have the right directors, shareholders, trustees, accounting software? If you're not sure, start a conversation with us.

Ownership of **INVESTMENTS**

A longer-term tax planning strategy can be reviewing the ownership of your investments. Any change of ownership needs to be carefully planned due to capital gains tax and stamp duty implications. Please seek advice from your Accountant prior to making any changes.

Investments may be owned personally, by a Partnership, Company or Discretionary or Unit Trust, with varying benefits of asset protection, risk management, ownership continuity, income distribution and tax optimisation.

If buying a new investment, speak with your accountant to assess the best entity to own the asset **before** you make an offer to purchase.

A Bucket **COMPANY**

A Bucket Company / Corporate Beneficiary is an option where you have surplus business income, or funds for investment in your personal name, on which you would prefer to pay the company

tax rate of 30%, rather than a high personal tax rate of 47%. This is generally a deferral of tax, which may assist your cashflow now, and at some stage in future the income will be paid as franked dividends from the company down to the shareholders. Ideally we do this at a point in future when your income and tax rate is lower. There are some costs and complications so this is not for everyone, however when it works this can be highly effective at managing tax, reducing risk and building wealth.

Tools of **TRADE / FBT EXEMPT ITEMS**

Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to buy work-related items with a tax benefit.

Items may include handheld or portable tools of trade, computer software, notebook computers, personal electronic organisers, digital cameras, briefcases, protective clothing, and mobile phones. Make sure there is a connection between the item purchased and the employment.

If structured correctly, an employer is entitled to a tax deduction for a reimbursement to an employee (for the equipment cost), can claim any GST input credit, and the employee's salary package will only be reduced by the GST-exclusive cost of the items.



Bring forward **EXPENSES**

"Small Business Concession" taxpayers can make prepayments, up to 12 months ahead, on expenses such as subscriptions and interest on loans **BEFORE 30 June 2024** and obtain a full

tax deduction in the 2024 financial year. You can prepay up to 12 months of interest before 30 June on a loan for a property or share investment and claim a tax deduction this financial year.

Purchase necessary consumable items BEFORE 30 June 2024. These include marketing materials, consumables, stationery, printing, office and computer supplies. Spend the money now and get the deduction this year.



Pay Employee **SUPERANNUATION BEFORE 30 JUNE**

To claim a tax deduction in the 2024 financial year, you must ensure that your employee superannuation payments are received by the superfund or the Small Business Superannuation Clearing House (SBSCH) by 30 June 2024. It is the date the super fund receives your payment, not the date that you make the payment that matters.

Last minute superannuation payments can result in processing delays. This may result in payments being received after year-end with the deduction delayed to the next financial year.

Write off **BAD DEBTS**

Review your Trade Debtors listing and write-off all bad debts BEFORE 30 June 2024. Prepare a management meeting document which lists each

bad debt, as evidence that these amounts were written off prior to year-end.

This must be entered into your accounting system before 30 June 2024.

Year end stocktake **OBSOLETE ASSETS AND WORK IN PROGRESS**

We recommend, even if you have not done so before, that you prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2024. Review your listing and scrap (i.e. physically dispose of) then write-off any obsolete or worthless stock items.

Managing your stock is a key part of managing your business. How quickly and efficiently do you turn stock / work in progress into cash and profit?

You may have assets that have a value, but which you no longer use. Better to have cash in your bank than to continue tripping over and insuring an asset you no longer need or want.

Defer **INCOME**

You may defer invoices and receiving cash/ debtor payments until after 30 June 2024. This strategy pushes tax payable to future years which may be helpful if you have had an unusually profitable year. However don't forget our rule to act commercially – money in your bank account is always preferable to money in someone else's bank account. Making smart business decisions and maximising tax benefits form part of an overall commercial strategy.

For Investments, where possible arrange for the receipt of Investment Income (e.g. interest on Term Deposits and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2024). Let us know of any such issues when we are talking to you in your year-end tax planning.

NOTE: The Contract Date is generally the key date for working out when a sale occurred, not the Settlement Date!

Realise capital LOSSES

Tax is normally payable on any capital gains. You may consider selling non-performing investments you hold before 30 June to crystallise a capital loss and reduce or even eliminate any potential capital gains tax liability. Unused capital losses can be carried forward to offset future capital gains.



Motor vehicle LOG BOOK

If you do a lot of work related driving, ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12-week period. You should record your odometer reading as at 30 June 2024 and keep all receipts/ invoices for motor vehicle expenses.

A logbook is not a simple exercise – you must follow the ATO guidelines. See [here](#) for details or use a [third party app](#). A proper log book is unlikely to result in a nice even percentage of business use!

You may claim up to 5,000 business kilometres without a log book for a vehicle owned in personal name or partnership using the cents per km method based on a “reasonable estimate” You may need to process a car allowance through payroll. Bear in mind, you need to be able to justify your claim to the ATO.

For a car owned by a company you need to maintain a logbook to validate your business use. The alternative FBT statutory method is likely to be more expensive.

Remember that your commute to and from work is a private trip not a business trip.

If you have employees driving business vehicles, they should understand that vehicles are provided for business use and that any personal use may incur FBT. You may wish to have them sign an agreement and annual declaration.

Property DEPRECIATION REPORT

If you have a commercial property, a Property Depreciation Report (prepared by a Quantity Surveyor such as BMT, Deppro or Asset Reports) allows you to claim depreciation and capital works deductions on capital items within the property and on the property itself.

The cost of this report is generally recouped several times over by tax savings in the first year of property ownership.

Trustee RESOLUTIONS

Trustees must generally make valid distribution resolutions BEFORE 30 June (or an earlier date if specified in the trust deed) for all Trusts. Every trust deed is different, so in every case our advice is to “read the Trust Deed”. With the addition of the ATO views on s.100A, asset write off measures and special guidelines for income of professionals we have extra complications this year. Please contact us for more information.

Private company “DIV 7A” LOANS

Business owners who have borrowed funds from their company must ensure that the appropriate principal and interest repayments on loans are made by 30 June. Current year loans must be either paid back in full or have a loan agreement entered in before the due date of lodgment for the company return, or risk having it counted as an unfranked dividend in the return of the individual.

Taxable payments ANNUAL REPORTS

If you operate in one of the following industries:

- Building & construction
- Cleaning services
- Courier services
- Road freight services
- IT services
- Security, investigation or surveillance services

AND you make payments to contractors, you will need to lodge a taxable payments annual report with the ATO by 28 August.

Maximise deductible **SUPER CONTRIBUTIONS**

The concessional superannuation cap for 2024 is \$27,500 for all individuals. If you exceed this limit you will pay more tax!

Employer super guarantee contributions are included in these caps. Where a concessional contribution is made that exceeds these limits, the excess is included in your assessable income and taxed at your marginal rate, plus an excess concessional contributions charge. We have a longer explanation on our [website](#).

Is your super working for you? Speak to one of our preferred financial advisors and integrate your tax and financial planning to unlock more value. We can arrange an appointment in our offices.



Insurance Premiums **AN INVESTMENT IN YOUR FINANCIAL SECURITY**

Possibly your greatest financial asset is your ability to earn an income. Income Protection Insurance generally replaces up to 75% of your salary if you are unable to work due to accident or illness. Premiums are usually tax deductible, and protect your family's lifestyle if you cannot work. It's a small price to pay for peace of mind. Income protection premiums can be pre-paid for 12 months to bring forward your deductions.



Support a Good Cause **DONATE**

Make a tax deductible donation to a good cause. You will feel better for it, our community will be better for it and the ATO will chip in with a healthier refund when we prepare your tax return.

And finally - **BE CAREFUL**

If it sounds too good to be true, it generally is. Sometimes you need to take a risk to get ahead and to achieve your long term goals, but always do so with a plan.