
PKF New England North West

Client Update

Tax Time 2023



As another financial year approaches, now is the time to review your tax affairs. If you have not yet considered your tax position and require assistance, please contact us as soon as possible to discuss further.

General Housekeeping tips

- Review debtors ledger and physically write off bad debts before year end.
- Review creditors ledger to ensure all unpaid suppliers' invoices have been recorded.
- Review depreciation schedule and write-off any assets no longer held for business use.
- Budget for key expenditures and pay before year end to bring forward deductions.
- Pay any superannuation contributions early June to get a deduction this year. The ATO Small Business Clearing house has advised it will be unavailable from 24th to 25th June 2023 and business should adjust their payment plans by making payments before the outage takes place.
- SBEs can deduct prepaid expenses, provided they relate to a period not greater than 12 months (e.g. 12 months' rent in advance).
- Consider the timing of invoicing and cash collections. Remember, businesses taxed under the cash receipts method will only be assessed when cash is received. Those on accruals will generally be assessed when a recoverable debt is created (invoice).
- Plan the disposal of CGT assets to ensure eligibility for the CGT discount and/or small business CGT concessions. When in doubt, please ask.
- Review salary sacrifice arrangements to ensure they are effective and consider concessional items (eg. laptops for business use, tools of trade or super).
- Bonus payments can be accrued, provided that you have established a clear and binding commitment to pay.
- Motor Vehicle Logbooks must be renewed at least every 5 years. Be sure to review your usage and record your opening and closing odometer readings each year.
- Review insurance policies (asset, income protection and life insurance) and consider the changes to your business and how they could affect your coverage needs.
- Review estate planning measures including wills and power of attorney.
- Primary Producers should record movements in livestock quantities for the year (le Opening stock + purchases + natural increase - sales - deaths =closing stock)

Farm Management Deposits (FMD)

Eligible individual taxpayers carrying on a primary production business can claim a deduction for deposits into an FMD in the income year they were made, provided they are not withdrawn within 12 months (unless experiencing severe drought conditions). Subsequent withdrawals are assessable as primary production income.

Deposits must be at least \$1,000 and not more than \$800,000 in total at any one time.

FMD can be used to offset a loan or other debt relating to the FMD owner's primary production business where the FMD and loan are in the same name. Working with your finance provider and currently available products will be crucial to effectively implementing this measure.

Temporary Full Expensing

The temporary full expensing measures are set to end on 30 June 2023. These measures allowed Australian businesses with a turnover of less than \$5 billion to immediately deduct the cost of eligible assets, with no upper limit.

If you are considering investing in new assets, it may be worthwhile bringing that forward to occur before 30 June 2023. Remember to qualify the asset must be delivered, installed and ready for use before 30 June 2023.

*Following measure not yet law:

After 30 June 2023 the former rules will likely apply. Businesses may continue to write off assets but capped at \$20,000 and only if aggregated turnover of the business is less than \$10 million.

The \$20,000 threshold will apply per asset so multiple assets may be instantly written off.

For small businesses purchasing assets above \$20,000 they may continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first year and 30% each year after that.

General Matters

Trust Distribution Resolutions

If your group structure includes a discretionary trust, then the trustee must make a resolution to appoint or distribute income to beneficiaries. To be effective the resolution must be prepared in accordance with the trust deed. Many deeds require this determination to be made before a certain date.

Private Use of Company Assets

The private use of company assets (e.g. boats, cars, investment properties) by a shareholder, or their associate, is deemed to be an unfranked dividend unless a market rental fee is paid.

Company Shareholder Loan Accounts

Where a shareholder, or associate, has borrowed funds from a private company (loan or expense payment), the balance is required to be repaid. The borrower must ensure an appropriate loan facility agreement is in place or they risk being assessed on a deemed unfranked dividend.



Superannuation Changes from 1 July 2023

Superannuation Guarantee Increase

The Superannuation Guarantee (SG) will be increasing from 10.5% to 11% on 1 July 2023. The SG percentage rate will continue to increase by 0.5% every year until it reaches 12% on 1 July 2025, as shown in the table below:

Period	SG%
1 July 22–30 June 23	10.5%
1 July 23–30 June 24	11%
1 July 24–30 June 25	11.5%
1 July 25–30 June 26 & beyond	12%

The SG is the minimum contribution employers are required to make into a super fund on behalf of employees. It forms part of an employee's remuneration, and the amount is calculated as a percentage of an employee's gross salary or wages. This percentage is set by the Australian Government and may change over time.

The increase in the SG will impact the calculation of employee benefit obligations relating to annual leave (AL) and long-service leave (LSL). Specifically, the on-costs added to employees' base salaries and wages when determining the remuneration rates that underly the AL and LSL provisions will need to take into account the increase in the SG from 1 July 2023.

As a reminder, liabilities expected to be settled within 12 months of balance date are measured at the nominal amounts expected to be paid when the liabilities are settled. The liabilities for AL and LSL not expected to be settled within 12 months of balance date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Transfer Balance Accounts reports (TBARs)

Transfer Balance Account Reports (TBARs) for all funds in pension phase will now be required to be lodged quarterly. TBARs report pension commutations to the ATO for each member and have an effect on transfer balance cap available for individuals. This means, we may be in more regular contact with you if we require more information from you regarding your fund.

Temporary Reduction in minimum pensions

Temporary reduction in minimum pension drawdowns percentages (previously 50% discount on usual minimum percentages due to Covid 19 super relief provisions between 2020 and 2023), will end on 30 June 2023 with normal minimum annual pension age based percentages being resumed from 1 July 2023.

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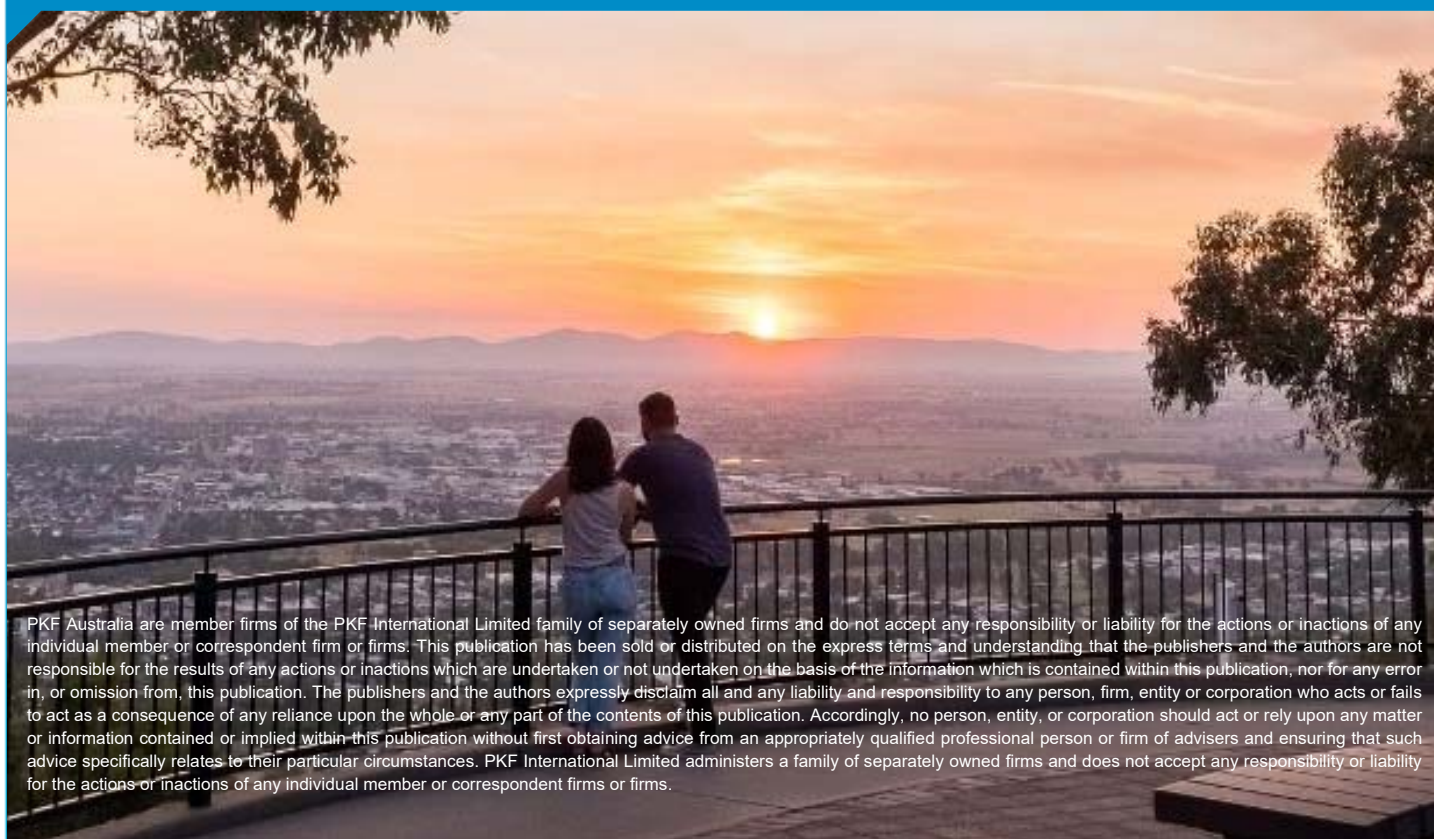
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