Simon Jones & Co

ACCOUNTANTS | BUSINESS ADVISORS | TAX CONSULTANTS

...Your Pathway to Business Success

2024 END OF YEAR **TAX PLANNING GUIDE**

Your guide to tax planning opportunities in 2022 to legally reduce your tax and get your business and personal finances organised before the end of the financial year.

INTRO

Year End 2024 Tax Planning Guide

As we approach the end of the 2024 financial year, tax planning has never been more important. This newsletter highlights some end of year tax planning opportunities you can take advantage of to legally reduce your tax and pay no more than you are required to. We encourage you to schedule a meeting with us as early as possible to assess your tax planning options.

In this guide, you'll find a list of strategies to consider before 30 June.

To maximise your benefits, we suggest you prepare a preliminary calculation of your taxable income for the year ending 30 June 2024 to identify the size of your likely tax debt and establish if you have a tax 'problem'.

- Review all tax-deductible expenses and assessable income in the latest available figures to determine the possibility of pre-paying some expenses before 30 June or deferring some revenue until after 1 July 2024.

Please note, the following list of tax planning opportunities is not exhaustive and depending on your circumstances (including your turnover and whether you are on a cash or accruals method of accounting), some of these strategies may not apply to you.

If you would like to discuss your tax planning options, we urge you to contact us today. It's important you don't leave your tax planning to the last minute as many of these strategies require adequate time and preparation to implement!

KEY TAX MINIMISATION STRATEGIES

1. Delaying Deriving Assessable Income

Delaying the timing of issuing invoices may delay the recognition of income for tax purposes. For example, issuing invoices before 30 June 2024 with the expectation that they will not be paid until July or later, thus deferring the tax payable on that income.

Please note: delaying banking amounts received before 30 June until after 30 June does not qualify because the income is deemed to have been earned when the money is received or the goods or services are provided (depending on whether you are on a cash or accruals basis of accounting).

- **Cash Basis Income:** Some income is taxable on a cash receipts basis rather than on an accruals basis (e.g. rental income or interest income in certain cases). You should consider whether some income can be deferred in those instances.
- **Lump Sum Amounts:** Where a lump sum is likely to be received close to the end of a financial year, you should consider whether this amount (or part thereof) can be delayed or spread over future income periods.

2. Bringing Forward Deductible Expenses or Losses

Prepayment of Expenses - In some circumstances, businesses and individuals who derive passive type income (such as rental income and dividends) should consider pre-paying expenses prior to 30 June 2024.

A tax deduction can be brought forward into this financial year for expenses like:

- Employee Superannuation Payments incl. the 11% Superannuation Guarantee Contributions for the June 2024 quarter (that must be received by the Superannuation Fund by 30 June 2024 to claim a tax deduction).
- Superannuation for Business Owners, Directors and Associated Persons
- Wages, Bonuses, Commissions and Allowances
- Contractor Fees
- Travel and Accommodation Expenses
- Trade Creditors
- Rent for July 2024 (and possibly future additional months)
- Insurances including Income Protection Insurance
- Printing, Stationery and Office Supplies
- Advertising including Directory Listings
- Utility Expenses - Telephone, Electricity & Power
- Motor Vehicle Expenses
- Registration and Insurance
- Accounting Fees
- Subscriptions and Memberships to Professional Associations and Trade Journals
- Repairs and Maintenance to Investment Properties
- Self Education Costs
- Home Office Expenses – desk, chair, computers etc.
- Donations to deductible gift recipient organisations
- If appropriate, consider prepaying any deductible investment loan interest. This could include interest payments on an investment loan for either an investment property or commercial property or an investment portfolio you hold.

KEY TAX MINIMISATION STRATEGIES

A deduction for prepaid expenses will generally be allowed where the payment is made before 30 June 2024 for services to be rendered within a 12-month period. While this strategy can be effective for businesses operating on a cash basis (not accruals basis), we never recommend you spend money on items you don't need. However, paying expenses in June that are due in July could save you some tax this financial year.

Capital Gains/Losses - Note that the contract date (not the settlement date) is often the key sale date for capital gains tax (CGT) purposes. When it comes to the sale of an asset that triggers a capital gain or capital loss, you need to consider your overall investment strategy when making the decision to sell.

Here are some important tax planning points to consider when selling assets:

- **Capital gains tax (CGT) discount:** When you sell or otherwise dispose of an asset, you can reduce your capital gain by 50% if you owned the asset for at least 12 months.
- **Offset a capital gain with an existing capital loss (carried forward or otherwise):** Capital losses can be deducted from capital gains to reduce your CGT.

Accounts Payable (Creditors) - If you operate on an accruals basis and services have been provided to your business, ensure that you have an invoice dated 30 June 2024 or before, so you can take up the expense in your accounts for the year ended 30 June 2024.

Businesses should also consider:

- **Stock Valuation Options** - Review your Stock on Hand and Work in Progress listings before 30 June to ensure that it is valued at the lower of Cost or Net Realisable Value. Any stock that is carried at a value higher than you could realise on sale (after all costs associated with the sale) should be written down to that Net Realisable Value in your stock records.

- **Compulsory Superannuation Guarantee** – as mentioned above, if you want a tax deduction in the 2021-24 financial year, the superannuation fund must receive the funds by 30 June 2024. The Tax Office doesn't consider a contribution to be made until the amount is actually credited to a super fund's bank account so an electronic transfer to another bank account on 30 June is not necessarily considered paid. We strongly recommend you make the payment a week or so before 30 June and then follow up with the super fund to ensure the funds have been received. Don't risk the tax deductibility of what can often be a significant amount by leaving payment to the last minute.

KEY TAX MINIMISATION STRATEGIES

- **Write-Off Bad Debts** – if you operate on an accruals basis of accounting (as distinct from a cash basis) you should write off bad debts from your debtors listing before 30 June. A bad debt is an amount that is owed to you that you consider is uncollectable or not economically feasible to pursue collection. Unless these debts are physically recorded as a 'bad debt' in your system before 30 June 2024, a deduction will not be allowable in the current financial year.

- **Repairs and Maintenance Costs** – Where possible and cash flow permits, consider bringing these repairs forward to before 30 June. If you don't understand the distinction between a repair and a capital improvement, please consult with us because some capital improvements may not be tax deductible in the current year and could be claimable over a number of years as depreciation.

- **Obsolete Plant and Equipment** should be scrapped or decommissioned prior to 30 June 2024 to enable the book value to be claimed as a tax deduction.

- **Temporary Full Expensing** allows businesses to claim an immediate deduction for the business portion of the cost of an asset in the year it is first used or installed ready for use for a taxable purpose. For the 2020-21, 2021-22, 2022-23 and 2023-2024 income years, a business can claim an immediate deduction for the business portion of the cost of:
    - eligible new assets first held, first used or installed ready for use for a taxable purpose between 7.30pm AEDT on 6 October 2020 and 30 June 2024
    - eligible second-hand assets for businesses with aggregated turnover under $50 million
    - eligible depreciating assets using the simplified depreciation rules (only for small businesses with aggregated turnover of less than $10 million and less than $2 million for previous income years) and the balance of their small business pool

If you are a small business entity that chooses to use the simplified depreciation rules, temporary full expensing rules apply with some modifications.

- You can't opt out of temporary full expensing for assets that the simplified depreciation rules apply to.
- You must immediately deduct the business portion of the asset's cost for assets you start to hold, and first use (or have installed ready for use) for a taxable purpose from 7.30pm (AEDT) on 6 October 2020 to 30 June 2024. You don't add these assets to your small business pool.
- You also deduct the balance of the small business pool at the end of an income year ending between 6 October 2020 and 30 June 2024.

KEY TAX MINIMISATION STRATEGIES

3. Checklist of other Year End Tax Issues

If you use a motor vehicle in producing income you may need to:

- Record Motor Vehicle Odometer readings at 30 June 2024.

- Prepare a log book for 12 continuous weeks if your existing one is more than 5 years old. If you commence the logbook prior to 30 June 2024, the usage determined will still be appropriate for the whole of 2023-24. This means it's not too late to start preparing one for the current financial year. (Download the free ATO app, MyDeductions, to help with your record-keeping.)

If you have started an account-based pension: Ensure that you have withdrawn the annual minimum required.

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

- **Employer Compulsory Superannuation Obligations:** The deadline for employers to pay superannuation guarantee contributions for the 2023-24 financial year is 28 July 2024. However, if you want to claim a tax deduction in the 2023-24 financial year the super fund (or Small Business Superannuation Clearing House) must receive the contributions by 30 June 2022. You should therefore avoid making contributions at the last minute because processing delays could deny you a significant tax deduction in this financial year.

- **For Private Company - Div 7A Loans:** Business owners who have borrowed funds from their company in prior years must ensure that the appropriate principal and interest loan repayments are made by 30 June 2024. Current year loans must be either paid back in full or have a loan agreement entered into before the due date of lodgement of the company return. Failure to comply risks having it counted as an unfranked dividend in the individual's tax return.

- Preparation of **Stock Count Working Papers** at 30 June 2024.

- Preparation and reconciliation of **Employee PAYG Payment Summaries** (formerly known as Group Certificates). Note you are not required to supply your employees with payment summaries for amounts you have reported and finalised through Single Touch Payroll.

- **Trustee Resolutions:** Ensure that the trustee resolutions on how the income from the trust is distributed to the beneficiaries are prepared and signed before 30 June 2024 for all Discretionary ("Family") Trusts. If a valid resolution hasn't been executed by this date, the default beneficiaries become entitled to the trust's income and are then subject to tax. Income derived but not distributed by the trust will mean the trust will be assessed at the highest marginal rate on this income.

SUPERANNUATION & TAX PLANNING

Increase in Super Guarantee Contribution Rate

From 1 July 2021 the compulsory super guarantee contribution rate increased from 9.5% to 10%. The percentage rate is set to increase by 0.5% every year until it reaches 12% at 1 July 2025.

Financial year	Super guarantee rate
1 July 2014 - 30 June 2021	9.5%
1 July 2021 - 30 June 2022	10%
1 July 2022 - 30 June 2023	10.5%
1 July 2023 - 30 June 2024	11%
1 July 2024 - 30 June 2025	11.5%
1 July 2025 - 30 June 2025 and onwards	12%

For 2021-22, the maximum super guarantee contribution for an employee is $58,920 per quarter. If an employee earns above that amount in a particular quarter, employers do not have to make super contributions for the part of their earnings over the limit.

$450 Super Guarantee Threshold Removed 1 July 2022

From 1 July 2022, employers will be require to make super guarantee contributions to an eligible employee's super fund regardless of how much the employee is paid. Employees will still need to satisfy other eligibility requirements. This includes other workers who are eligible for super including contractors, international workers and domestic or private workers.

Concessional Contributions and Salary Sacrificing

From 2019-20, carry forward rules allow you to make extra concessional contributions above the contribution cap – without having to pay extra tax.

By making concessional contributions to your super (e.g. via salary sacrificing and personal deductible contributions), you could reduce your personal income tax for this financial year and boost your superannuation. This can be particularly beneficial for employees approaching retirement age.

SUPERANNUATION & TAX PLANNING

For the 2023-24 financial year, the **tax-deductible superannuation contribution cap is $27,500** for all individuals regardless of their age.

- **Note:** Other contributions such as employer Superannuation Guarantee Contributions (SGC) and salary sacrifice contributions are considered part of your concessional contributions cap.

To use your unused cap amounts your total super balance at the end of 30 June of the previous financial year should be less than $500,000. You also need to exceed your general concessional contributions cap with your concessional contributions in the financial year.

The amount of unused cap amounts you can carry forward will depend on the amount you have contributed in previous years, starting from 2018–19. You can use caps from up to 5 previous financial years, including when you were not a member of a super fund.

Unused cap amounts are available for a maximum of 5 years and will expire after this.

Financial year	General concessional contributions cap
2018-19	$25,000
2019-20	$25,000
2020-21	$25,000
2021-22	$27,500
2022-23	$27,500
2023-24	$27,500

Non-Concessional Contributions

From 2022-23, carry forward rules allow you to make extra concessional contributions above the contribution cap – without having to pay extra tax.

By making concessional contributions to your super (e.g. via salary sacrificing and personal deductible contributions), you could reduce your personal income tax for this financial year and boost your superannuation. This can be particularly beneficial for employees approaching retirement age.

Non-concessional contributions are from your after-tax income and are not taxed in your super fund. They can include:

- personal contributions which you have not claimed as a tax deduction
- spouse contributions to your super fund
- contributions exceeding your capital gains tax (CGT) cap amount.

From 1 July 2024, the non-concessional contributions cap has been increased to **$110,000**.

- The advantage of making the maximum tax-deductible superannuation contribution before 30 June 2024 is that superannuation contributions are taxed at between 15% and 30%, compared to personal tax rates of between 32.5% and 45% (plus 2% Medicare levy) for an individual taxpayer earning over $45,000.

- If your total super balance is greater than or equal to the cap ($1.6 million from 2017-18; $1.7 million from 2023-24) at 30 June 2023, your non-concessional contributions cap is nil ($0) for this financial year.

As part of the bring-forward arrangement, if you make contributions above the annual non-concessional contributions cap you may be **eligible** to automatically gain access to future year caps. This allows you to make extra non-concessional contributions without having to pay tax.

From 1 July 2024:

- **67 years of age:** You may be able to make non-concessional contributions of up to 3 times the annual non-concessional contributions cap ($330,000 for 2023-24).
- **67 years old or older on 1 July:** You will need to meet conditions for certain types of contributions to be accepted by your super fund, including satisfying the work test or work test exemption.
- **75 years of older:** Your fund may only be able to accept employer contributions and downsizer contributions.

Non-Concessional Contributions Bring-Forward Rule from 1 July 2021

Total super balance on 30 June 2021	Non-concessional contributions cap amount (including bring-forward)	Bring-forward period
< $1.48m	$330,000	3 years
> $1,48m to < $1.59m	$220,000	2 years
> $1.49m to < $1.7m	$110,000	No bring-forward period, general non-concessional contribution cap applies
> $1.7m	Nil	N/A

SUPERANNUATION & TAX PLANNING

Typically, self-employed individuals and those who earn their income primarily from passive sources like investments make their super contributions close to the end of the financial year to claim a tax deduction. However, individuals who are employees may also use this strategy and those who might want to take advantage of this opportunity would typically include individuals:

- who work for an employer that doesn't permit salary sacrifice,
- who work for an employer that does enable salary sacrifice (but it's disadvantageous due to a reduction in entitlements), and
- who are salary sacrificing but want to make a top-up contribution to utilise their full concessional contributions cap.

Government Super Co-contributions

The Government co-contribution is designed to boost the superannuation savings of low and middle-income earners who earn at least 10% of their income from employment or running a business. If your income is within the thresholds listed in the table below and you make personal super contributions, you may be eligible for a co-contribution of up to $500.

To be eligible, you must be **under 71 years of age** at 30 June 2023.

Financial Year	Maximum Entitlement	Low Income Threshold	High Income Threshold
2022-23	$500	$42,016	$57,016
2021-22	$500	$41,112	$56,112
2020-21	$500	$39,837	$54,837

Self-managed Superannuation

A Self-Managed Superannuation Fund (SMSF) can provide significant tax savings but they don't suit everyone. There are significant regulations surrounding the management and administration of SMSF's.

With the end of the financial year approaching, now is a good time to discuss the pros and cons of establishing your own SMSF. It might be appropriate to establish a SMSF in conjunction with other tax planning opportunities.

If you would like more information about self-managed superannuation funds we invite you to get in touch with us today for a consultation.

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Get in touch with us today to book your 2024 Tax Planning session.

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