2023

TAX PLANNING
TIPS & STRATEGIES

As we approach the end of a financial year, below are some factors you may wish to consider as part of your year-end tax planning.

Please read through our key areas to be aware of for **Individuals** and **Businesses**.

Individuals

Changes to working from home deductions

The revised fixed rate method has changed and increased: it now covers electricity, gas, phone, internet, computer consumables, and stationery at 67 cents per hour worked from home. The requirement for a dedicated home office space has been removed.

Taxpayers can claim deductions for the decline in value of assets separately. Keep track of your hours worked from home to calculate your home office claim for the 2023 financial year.

Investment properties

- Getting a depreciation report from a quantity surveyor is tax beneficial. It includes depreciation calculations for assets and the building and covers multiple financial years.

Work-related expenses

- Keep all receipts for work-related expenses such as uniforms, training courses and learning materials, as these may be tax deductible.

Businesses

Eligible small business owners

- Temporary full expensing of business assets will end on 30 June 2023.

For businesses with an aggregated turnover of **less than $50 million** you can immediately deduct the business portion of the cost of eligible depreciating assets.

Assets include things such as plant & equipment, computer hardware, motor vehicles etc. (subject to a limit on motor vehicles).

Assets must be held, first used or installed ready for use before 30 June 2023 to qualify for a tax deduction. From July 2023 businesses with an annual turnover of less than $10 million will be subject to a reduced immediate write off limit of $20,000.

- Loss carry back provides a refundable tax offset that eligible corporate entities can continue to claim in their 2023 company tax returns.
- Review your fixed asset register against the physical assets of your business and write off any plant or equipment that is obsolete or no longer in use.
- Consider your old receivables, are they recoverable? If not, write off your bad debts to obtain the tax deduction assuming you are reporting on an accruals basis for tax purposes.
- Complete a stock take at 30 June 2023.
- If operating your business through a trust, make sure you have resolved how income will be distributed for tax purposes prior to 30 June 2023. The ATO are cracking down in this area!

Trust Distributions

A reminder that trustees need to have decided where the income for the year is to be distributed, **prior to 30 June**, and this must be documented.

If you need any assistance with tax implications of any proposed distribution, please contact your advisor.

Division 7A loans

- Businesses that borrowed from their company in previous years **must make minimum loan and interest repayments by June 30, 2023**.
- For current year loans, full payment or a written loan agreement must be in place before the company's return lodgement due date.
- This is to avoid it being counted as an unfranked dividend for the individual.

Businesses (Continued)

Prepaid income

- Customer deposits for upcoming services or products can be considered prepaid income that may be deferred to the following financial year.
- This can help reduce taxable income for the business in 2023.
- It can also reduce any associated income tax liability.

Pre-paying deductible expenses

- Consider paying tax deductible expenses (where cash flow permits it) before 30 June to bring forward your tax deduction to the current financial year.
- Examples of tax deductible expenses include office supplies, materials, subscriptions etc.
- Businesses have more concessions and deductions available than employees.
- The amount of concessions and deductions depends on whether the business reports on an accruals or cash basis.

Superannuation contributions & pension

- Check your eligibility before making superannuation contributions.
- Deposit the contributions into your superfund account by 30 June 2023 to count in the current financial year.
- The concessional contributions cap for 2023 is $27,500 for all individuals.
- Going over the cap results in paying more tax.
- Super contributions are tax deductible in the financial year they are paid and received by the superfund.
- Adhere to relevant contribution caps and ask about any carry forward unused concessional contributions available to you.
- Those drawing a superannuation pension, you need to ensure the minimum pension is withdrawn from your superfund by 30 June 2023.

Capital Gains Tax (CGT)

- For real estate, cryptocurrency or shares sold under the CGT provisions, the contract date is when the asset is considered sold for tax purposes, not the settlement date.
- To minimise taxes, arrange receipt of investment income and assets with gains until after 30 June 2023 if commercially realistic.

Reminder

Maintaining complete records

There is nothing more frustrating than not being able to find receipts and payment records when tax time arrives.

Consider using an app or other web-based solutions for recording expenses and maintaining your vehicle log book.

Please note that the information above is for general information purposes only, these are things you should be thinking about as you approach the end of the 2023 financial year. It is important to carefully consider your tax planning ahead of the deadline and seek professional advice when considering any of the above.

Should you wish to discuss your tax planning options, please reach out to our office.

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