MINIMISE YOUR BUSINESS TAX

2023 TAX PLANNING GUIDE

Imagine what you could do with tax saved? You could:

- Reduce your home loan
- Top up your super
- Save for a holiday (when we can travel again!)
- Deposit for an Investment Property
- Pay for your children's education
- Upgrade your Car

Here's a guide to the strategies you can use to minimise your business tax.

IS YOUR BUSINESS A "SMALL BUSINESS" ENTITY?

Small businesses can access a range of tax concessions from the ATO. To qualify as a "Small Business Entity", the business must have an aggregated turnover (your annual turnover plus the annual turnover of any business connected / affiliated with you) of less than $10 million and be operating a business for all or part of the 2023 year.

LOWER COMPANY TAX RATES

The 2023 company tax rate for businesses with less than $50 million turnover is 25%, if 80% or less of a company's assessable income is "passive income" (such as interest dividends, rent, royalties, and net capital gains).

If you use a Trust structure, one strategy is to allocate profits to a "Bucket Company" and cap your tax at 25% for the 2023 year. Note that this company must qualify as a "base rate" entity to be eligible for the lower 25% company tax rate. Please discuss with us whether your company will qualify.

TEMPORARY FULL EXPENSING FOR ASSET PURCHASES

Businesses with an aggregated turnover of less than $5 billion can immediately deduct the business portion of the cost of eligible new depreciating assets.

For businesses with an aggregated turnover of less than $50 million, temporary full expensing also applies to the business portion of eligible second-hand depreciating assets.

Temporary full expensing is ending on 30 June 2023.

You should buy these assets and use them or have them ready for use before 30 June 2023 to qualify for a 2023 tax deduction. Talk to us today about your options!

MAXIMISE DEDUCTIBLE SUPER CONTRIBUTIONS

The concessional superannuation cap for 2023 is $27,500 for all individuals. Do not exceed this limit or you'll incur additional tax!

Note that 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.

> For the contribution to be counted towards the employee's 2023 contribution cap, it must be received by the fund by 30 June 2023.

TOOLS OF TRADE / FBT EXEMPT ITEMS

The purchase of Tools of Trade and other FBT exempt items for business owners and employees can be an effective way to buy equipment with a tax benefit. Items that can be packaged include handheld/portable tools of trade, computer software, notebook computers, personal electronic organisers, digital cameras, briefcases, protective clothing, and mobile phones.

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

You should buy these items before 30 June 2023.

REPAIRS & MAINTENANCE

Make payments for repairs and maintenance (business, rental property, employment) BEFORE 30 June 2023.

PAY EMPLOYEE SUPERANNUATION NOW

To claim a tax deduction in the 2023 financial year, you need to ensure that your employee superannuation payments are received by the super fund or the Small Business Superannuation Clearing House (SBSCH) by 30 June 2023.

You should avoid making last minute superannuation payments as processing delays may cause them to be received after year-end. If for any reasons you end up having to make last minute payments and you would like to claim them as deductions for the current year, contact us immediately and before you make any payments for possible resolutions.

DEFER INCOME

If possible, defer issuing further invoices and receiving cash/debtor payments until after 30 June 2023. This strategy pushes tax payable to future years.

BRING FORWARD EXPENSES

Purchase consumable items BEFORE 30 June 2023. These include marketing materials, consumables, stationery, printing, office and computer supplies. Spend the money now and get the deduction this year.

DEFER INVESTMENT INCOME & CAPITAL GAINS

If 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 2023.

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

MOTOR VEHICLE LOGBOOK

Ensure that you have kept an accurate and complete Motor Vehicle Logbook for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2023. You should make a record of your odometer reading as at 30 June 2023 and keep all receipts/invoices for motor vehicle expenses.

An alternative (with no log book needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

INVESTMENT PROPERTY DEPRECIATION

If you own a rental property and haven't already done so, arrange for the preparation of a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

PRIVATE COMPANY ("DIV 7A") LOANS

Business owners who have borrowed funds from their company in previous years must ensure that the appropriate principal and interest repayments are made by 30 June 2023. Current year loans must be either paid back in full or have a loan agreement entered in before the due date of lodgement for the company return, or risk having it counted as an unfranked dividend in the return of the individual.

YEAR-END STOCKTAKE / WORK IN PROGRESS

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2023. Review your listing and write-off any obsolete or worthless stock items.

Talk to us about your different options for valuing Stock, and how they affect your tax payable.

WRITE-OFF BAD DEBTS

Review your Trade Debtors listing and write-off all bad debts BEFORE 30 June 2023. Prepare a management meeting document listing each bad debt, as evidence that these amounts were written off prior to year-end and enter these into your accounting system before 30 June 2023.

SMALL BUSINESS CONCESSIONS - PREPAYMENTS

"Small Business Concession" taxpayers can make prepayments (up to 12 months) on expenses (e.g. loan interest, rent, subscriptions) BEFORE 30 June 2023 and obtain a full tax deduction in the 2023 financial year.

TRUSTEE RESOLUTIONS

Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2023 for all Discretionary ("Family") Trusts. *The ATO have recently released a number of Tax Rulings that may affect trust distributions to adult children, so Tax Planning for 2023 will be vital for anyone using a Family Trust.*

IMPORTANT INFORMATION

This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from your financial adviser and seek tax advice from your accountants at KRS Accountants. Information is current at the date of issue and may change.

KRS ACCOUNTANTS

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p phone 07 5510 4892 **e** info@krsaccountants.com

MINIMISE YOUR PERSONAL TAX

2023 TAX PLANNING GUIDE

Now's the time to review what strategies you can use to minimise your tax before 30 June 2023.

Imagine what you could do with tax saved? You could:

- Reduce your home loan
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A key guide to keep in mind is that there is no point in spending money to reduce tax unless the value of the purchase exceeds the net cost (cost less tax saving).

HOME OFFICE EXPENSES

If you have been working from home, you may have expenses you can claim a tax deduction for. The ATO allows you to claim using a “Revised Fixed Rate Method” an amount of $0.67 per work hour for the 2023 year. This amount covers most expenses from working from home, and you need to keep a detailed record of how you calculated the number of hours you are claiming. You can also claim expenses using an “Actual Cost” method – so please keep all invoice and receipts during the entire year to prove all claims.

SUPERANNUATION

DEDUCTIBLE SUPER CAP OF $27,500 FOR EVERYONE

The tax-deductible super contribution limit (or “cap”) is $27,500 for all individuals under the age of 75. Individuals need to pass a work test if over age 67.

To save tax, consider making the maximum tax-deductible super contribution this year before 30 June 2023. The advantage of this strategy is that superannuation contributions are taxed at 15% to 30% compared to typical personal income tax rates of between 34.5% and 47%.

CARRIED FORWARD CONTRIBUTIONS

Carry-forward contributions are not a new type of contribution, they are simply new rules that allow super fund members to use any of their unused concessional contributions cap on a rolling basis for five years.

If you don’t use the full amount of your concessional contribution cap ($25,000 from 2019 to 2021, and $27,500 for 2021 and 2022), you may qualify to carry-forward the unused amount and take advantage of the cap up to five years later.

Carry-forward contributions are calculated on a rolling basis over five years, but any amount unused after five years expires. These carry-forward rules only relate to concessional contributions into super, not non-concessional contributions, as they have different caps.

SPOUSE SUPER CONTRIBUTIONS

You can make super contributions on behalf of your spouse (married or de facto), provided you meet eligibility criteria, and your super fund allows it. This is known as contribution splitting.

Doing this not only helps to boost your spouse’s retirement savings, but it can also help you save tax if your spouse has limited income.

You may be eligible for a tax offset of up to $540 on super contributions of up to $3,000 that you make on behalf of your spouse if your spouse’s income is $37,000 p.a. or less.

The offset gradually reduces for income above $37,000 p.a. and completely phases out at $40,000 p.a.

ADDITIONAL TAX ON SUPER CONTRIBUTIONS BY HIGH INCOME EARNERS

The income threshold at which the additional 15% (‘Division 293’) tax is payable on super is $250,000 p.a. Where you are required to pay this additional tax, making super contributions within the cap is still a tax effective strategy.

With super contributions taxed at a maximum of 30% and investment earnings in super taxed at a maximum of 15%, both these tax points are more favourable when compared to the highest marginal tax rate of 47% (including the Medicare levy).

17 ADDITIONAL TAX SAVING OPTIONS

GOVERNMENT CO-CONTRIBUTION TO YOUR SUPER

If you are on a lower income and earn at least 10% of your income from employment or carrying on a business and make a “non-concessional contribution” to super, you may be eligible for a Government co-contribution of up to $500.

In 2023, the maximum co-contribution is available if you contribute $1,000 and earn $42,016 or less. A lower amount may be received if you contribute less than $1,000 and/or earn between $42,016 and $57,016.

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 by a Family Trust, which has the key advantage of providing flexibility in distributing income on an annual basis and an ability for up to $416 per year to be distributed to children or grandchildren tax-free.

PROPERTY DEPRECIATION REPORT

If you have an investment property, a Property Depreciation Report (prepared by a Quantity Surveyor) will allow 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 the tax savings in the first year of property ownership.

MOTOR VEHICLE LOGBOOK

Ensure that you have kept an accurate and complete Motor Vehicle Logbook for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2023. You should make a record of your odometer reading as at 30 June 2023 and keep all receipts/invoices for your motor vehicle expenses.

Once prepared, a logbook can generally be used for a 5-year period.

An alternative (with no logbook needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

SACRIFICE YOUR SALARY TO SUPER

If your annual income is $45,000 or more, salary sacrifice can be a great way to boost your superannuation and pay less tax. By putting pre-tax salary into super rather than having it taxed as normal income at your marginal rate you may save tax. This can be especially beneficial for employees nearing their retirement age.

PREPAY EXPENSES AND INTEREST

Expenses relating to investment activities can be prepaid before 30 June 2023. 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. Also, other expenses in relation to your investments can be prepaid before 30 June, including rental property repairs, memberships, subscriptions, and journals.

INSURANCE PREMIUMS

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 sickness or an accident. The insurance premium is normally tax deductible, plus you get the benefit of protecting your family's lifestyle if you cannot work due to sickness or an accident. It's a small price to pay for peace of mind. Like rental property interest, income protection premiums can also be pre-paid for 12 months to increase your deductions.

WORK RELATED EXPENSES

Don't forget to keep any receipts for work-related expenses such as uniforms, training courses and learning materials, as these may be tax-deductible.

REALISE CAPITAL LOSSES

Tax is normally payable on any capital gains. You should consider selling any non-performing investments you hold before 30 June 2023 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.

DEFER INVESTMENT INCOME & CAPITAL GAINS

If practical, 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 2023.

The Contract Date (not the Settlement Date) is generally the key date for working out when a sale or purchase occurred.

IMPORTANT INFORMATION

This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from your financial adviser and seek tax advice from your accountants at Change Accountants & Advisors. Information is current at the date of issue and may change.

Contact us to discuss your options to reduce your tax for the year ended 30 June 2023!

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