

2023 YEAR END TAX TIPS + REMINDERS

Key Changes you Need to be Aware of

SUPERANNUATION GUARANTEE INCREASES TO 11%

This is the biggest change that will affect you this year.

From 1 July 2023, the Superannuation Guarantee rate will increase from 10.5% to 11%. It is planned to increase by 0.5% each year until it reaches 12% on 1 July 2025.

If any employees are paid on a "total remuneration" basis (a package inclusive of superannuation), this will mean that their take home pay will reduce by 0.5% unless the employer decides to increase their total remuneration by 0.5%.

For employees who are paid wages or salary plus superannuation, then their take home pay will remain the same and the 0.5% increase will be added to their superannuation payments.

Action Step: All employers will need to give immediate action to managing this increase, and they will need to factor in this increase to their cash flow planning for 2023/2024.

CRYPTOCURRENCY

The Australian Taxation Office (ATO) is concerned that many taxpayers believe their cryptocurrency gains are tax free or only taxable when the holdings are cashed back into Australian dollars.

Gains from cryptocurrency are similar to gains from other investments, such as shares. Generally, as an investor, if you buy, sell, swap for dollar currency, or exchange one cryptocurrency for another, it will be subject to capital gains tax (CGT) and must be reported. CGT also applies to the disposal of non-fungible tokens (NFTs).

It is vital that you keep good records of your cryptocurrency exchanges. The ATO has access to the data from crypto platforms and banks and is running data matching to ensure tax is paid on all crypto gains.

The tax laws are complex on this area – so please contact us to ensure you receive the right advice.

TEMPORARY FULL EXPENSING REPLACED WITH \$20,000 INSTANT ASSET WRITE-OFF

The unlimited tax deduction for purchases of business assets known as Temporary Full expensing finishes on 30 June 2023.

From 1 July 2023, assets costing less than \$20,000 can be instantly written off. Assets costing more than \$20,000 will need to be depreciated.

Important: If you have claimed the full cost of an asset – for example a motor vehicle – in a prior year using temporary full expensing, when you sell it in the future you will have the **full value** of its sale price included in your taxable income for the year!

Your 2023 End of Financial Year Reminders & Action Items

ATO PAYMENT DEFERRALS

We can liaise with the ATO and negotiate a deferral or repayment plan if you are having trouble paying any ATO liabilities. Please contact us immediately if you would like our assistance with this.

SINGLE TOUCH PAYROLL

If you are reporting payments to employees to the ATO using Single Touch Payroll (STP), most businesses will need to lodge a STP Finalisation Declaration with the ATO by 14 July 2023.

Employees will be able to access their Income Statement through their MyGov account.

REPORTABLE FRINGE BENEFITS

Where you have provided fringe benefits to your employees more than \$2,000, you need to report the FBT grossed-up amount. This is referred to as a 'Reportable Fringe Benefit Amount' (RFBA) amount, and it needs to be updated for each employee as part of your Single Touch Payroll finalisation procedure for 2023.

STOCKTAKE

Businesses that buy and sell stock generally need to do a stocktake at the end of each financial year as the increase or decrease in the value of stock is included when calculating the taxable income of your business.

If your business has an aggregated turnover below \$10 million, you can use the simplified trading stock rules. Under these rules, you can choose not to conduct a stocktake for tax purposes if the difference in value between the opening value of your trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year is less than \$5,000. You will need to record how you calculated the value of trading stock on hand.

If you do need to complete a stocktake, you can choose one of three methods to value trading stock:

- **Cost price** – all costs connected with the stock including freight, customs duty, and if manufacturing, labour and materials, plus a portion of fixed and variable factory overheads.
- **Market selling value** – the current value of the stock you sell in the normal course of business (but not at a reduced value when you are forced to sell it).
- **Replacement value** – the price of a substantially similar replacement item in a normal market on the last day of the income year.

A different basis can be chosen for each class of stock or for individual items within a particular class of stock. This provides an opportunity to minimise the trading stock adjustment at year-end. There is no need to use the same method every year; you can choose the most tax effective option each year. The most obvious example is where the stock can be valued below its purchase price because of market conditions or damage that has occurred to the stock. This should give rise to a deduction even though the loss has not yet been incurred.

TRUST DISTRIBUTION RESOLUTIONS

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2023 at the latest. Decisions made by the trustees should be documented in writing (preferably) by 30 June 2023.

If valid resolutions are not in place by 30 June 2023, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

ACTION STEP: If you haven't already signed your Trust Distribution Resolution for each Trust you have, please contact our office before 30 June 2023 so that we can properly prepare this document for you to sign.

DIV 7A LOAN AGREEMENT MINIMUM REPAYMENTS

When a company makes a loan to a shareholder or an associate of a shareholder, a Loan Agreement needs to be entered into and minimum annual repayments for the loan need to be made before 30 June each year. If these steps aren't taken, then the loan amounts are treated as a deemed unfranked dividend and are taxable at the taxpayer's marginal tax rate – which could be as high as 47%.

ACTION STEP: Ensure that you have made all minimum repayments for any Div7A Loans that you have before 30 June 2023. Please contact us immediately if you are unsure of this, as you may need to declare a dividend from the company before 30 June 2023 to assist with your minimum annual loan repayment.

REPORTING PAYMENTS TO CONTRACTORS

A "Taxable Payments Annual Report" (TPAR) is due for lodgement with the ATO by 28 August 2023 for the following industries:

- Building and construction services
- Cleaning services
- Courier services
- Road freight services
- Information technology (IT) services – including software development
- Security, investigation or surveillance services
- Mixed services (providing one or more of the services listed above)

This report includes a listing and total of all payments and non-cash benefits made to contractors during the year.

PAYROLL TAX

Payroll tax applies to all entities that have an Australian payroll that exceeds state-based limits.

You should note that in addition to normal salaries and wages, the following items are generally also included in payroll expenses if payroll tax applies:

- fringe benefits based on the grossed-up taxable value of fringe benefits;
- all employer contributions to superannuation on behalf of employees; and
- some contractor or sub-contractor fees.

For more detailed information about whether payroll tax applies to your business, please contact our office.

ACTION STEP: The Annual Return/Reconciliation for payroll tax must be lodged by 21 July 2023 (Queensland, Victoria, Northern Territory, Tasmania and WA) or by 28 July 2023 (NSW and South Australia) with your State Revenue Office.

WORKCOVER / WORKSAFE

Your WorkCover/WorkSafe insurer sends an annual reconciliation to all registered employers at the end of the financial year.

In completing your annual reconciliation, you will need to include the following items in addition to normal salaries and wages:

- fringe benefits based on the taxable value of fringe benefits (do not gross-up);
- all employer contributions to superannuation on behalf of employees; and
- some contractor or sub-contractor fees.

For more detailed information about what items to include in the reconciliation statement, please contact our office.

Once the reconciliation is received and processed by your WorkCover/WorkSafe insurer, you will be issued with a final assessment or a refund depending on the instalments you have paid during the year.

ACTION STEP: Complete and lodge the Annual Reconciliation with your WorkCover/WorkSafe insurer by the due date.

GOODS AND SERVICES TAX (GST)

A reconciliation of GST should be performed as at 30 June 2023 to determine if there has been an under or over-payment of GST in the 2023 tax year. If a discrepancy has arisen, then it is possible to adjust a subsequent Business Activity Statement (BAS) to rectify the error, however there are limits imposed on adjustments that can be made in this way.

Income declared on your BAS should be reconciled to income declared on your income tax returns.

Also, please note that you are required by law to substantiate all Input Tax Credit claims with a complying Tax Invoice, and you need to retain these documents for a minimum of 5 years.

ACTION STEP: Complete the annual GST reconciliations, and check that you have all required tax invoices and other supporting documents.

ATO AUDIT ACTIVITY

Please note that the ATO and State Revenue Office are constantly increasing their audit activities. There has been an increase in audit activity for PAYG Withholding, Payroll Tax, WorkCover, GST, Division 7A loan accounts from companies, and Trust distributions from Discretionary Trusts.

We can offer a review of your records and record-keeping procedures if you are concerned about your ability to satisfy an audit.

ACTION STEP: Please contact our office if you would like to request this service.

Last Minute 2023 Tax Minimisation Tips

Here's a few final reminders about ways to reduce your tax for 2023:

1. Write-off Bad Debts in your computer system before 30 June 2023.
2. Write-off any trading stock that is damaged or obsolete.
3. Review your Asset Register and scrap any obsolete plant and equipment.
4. Pay for marketing materials, repairs, consumables, office stationery, and donations before 30 June 2023.
5. Ensure employee superannuation contributions are made and received by your employees' superannuation fund/s by 30 June 2023 to allow a tax deduction this 2023 financial year.
6. Realise any capital losses you have before 30 June 2023 to offset against any capital gains you may have made.
7. Pass a properly authorised resolution to commit to the payment of a Director's Fee or employee bonus before 30 June 2023, even if it paid within a reasonable time after 30 June 2023.
8. Raise management fees between entities by 30 June 2023 and ensure that you have a signed Management Fees Agreement / Services Agreement in place to support the transaction and to ensure they are commercially reasonable.

Do You Need Any Assistance from Us?

Feel free to contact our office anytime by phone on 03 6231 3448 or email – We're here to help you!

General advice disclaimer

General advice warning: The advice provided is general advice only as, in preparing it we did not consider your investment objectives, financial situation or needs. Before making any decisions based on this advice, you should consider how appropriate the advice is to your specific investment needs and objectives. You should also consider the relevant Product Disclosure Statement before making any decision relating to a financial product.

Also refer to our terms and conditions

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