YEAR-END PLANNING KEY ISSUES

With the end of financial year fast approaching, now is a good time to think about opportunities and risks that should be addressed before 30 June 2024.

To help you with this, we have included some of the key issues that clients should be thinking about pre year end. If you would like to discuss any of these, or other things that are on your radar, don't hesitate to contact your Hall Chadwick team.

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A KEY PLAN FOR BUSINESS

ITEM	DETAILS	WHY NOW?
Pre year-end expenditure	Consider whether any deductible expenditure should be brought forward before 30th June.	• Companies (with active businesses) with aggregated turnover less than $50m can deduct prepaid expenses if the period to which the service relates ends no later than 30 June 2025. • Individuals obtaining higher benefit by utilising higher tax rate in 2024 with tax cuts effective of 1 July 2024.
Writing Off Bad debts	Review your list of debtors and if all attempts have failed and no payment is expected, write off the debt before 30 June.	• You can claim a tax deduction for the bad debt written off. • Ensure to keep a record and document the bad debt written off.
Employee Bonus Plans	Deductions are NOT available for accrued bonuses unless all steps have been taken before year-end for employees to legally qualify for payment of the bonus by year-end.	• If your bonus plan is based on financial results for the year ended 30 June 2024 and you have already met those targets, if board approval or other processes are required to create the legal liability to pay the bonus, consider whether these should occur before 30th June to make sure your bonus accrual is deductible in the 2024 year.
Skill and Training Boost	Claim additional 20% deduction for eligible external training to upskill employees before 30 June 2024.	• Small business with aggregated turnover of less than $50m can claim additional 20% deduction to provide training to employees before 30 June 2024 (not available for FY2025). • Must be for employees. Sole traders and partners in partnerships are not eligible. • In-house training is not eligible. • Training must be through a registered training provider.
Pre-year-end Board Initiatives	The board should make all the resolutions before the year-end. These can include solvency declarations and reporting decisions and, in the case of trustee companies, determining distributable income and which beneficiaries should receive distributions.	• Good housekeeping with contemporaneous documentation. • Some of these are required by ASIC pre year-end to prevent audited accounts being requested.

ITEM	DETAILS	WHY NOW?
Pre-year-end Trustee Initiatives	The trustee resolutions should be made before the year-end. These can include determining distributable income and which beneficiaries should receive distributions. If you intend to distribute to a corporate beneficiary, please ensure that the legal entity has been established.	• The ATO has withdrawn its administrative concession allowing trustees to determine distributable income and distributions to beneficiaries in the 2 months after year-end. Based on most trust deeds, this means decisions need to be made pre year-end. • We see some trust deeds that don't allow for distributions to corporate beneficiaries or other un-nominated beneficiaries. These should be reviewed and updated pre year-end. • If corporate beneficiaries are not established before year-end, they are unable to be nominated as beneficiaries.
Instant Asset Write-off	The government has announced in its 2023-24 budget that small business with aggregated turnover of less than $10m will be able to claim full deduction for eligible assets first used or installed ready for use between 1 July 2023 to 30 June 2024 for up to $20,000. Amendments to the Bill has been introduced increasing the limit to $30,000 and the eligible entities turnover to $50m. The 2024-25 budget announcement further extends the measure to 30 June 2025. THESE MESUARES ARE NOT YET LAW AT THE TIME OF WRITING	• Temporary full expensing is no longer available in FY2024. • Assets need to be used or delivered and installed ready for use before 30 June 2024 to be eligible for the deduction, if the measures are enacted. • Caution should be exercised when planning the timing for capital expenditure. • Without the measures, instant asset write-off threshold reverts back to $1,000.

A KEY PLAN FOR SUPERANNUATION

Superannuation related matters BEFORE 30th June 2024		
Concessional Contributions	Maximise your contributions for FY2024	• Concessional contributions cap for all people, regardless of age, is now $27,500 for FY2024 (and $30,000 for FY2025). • Please check all contributions received (not due or accrued) by all of your super funds including employers superannuation contribution for the year to date before making further contributions. • Consider whether unused concessional contributions from prior years can be utilised to maximise deductions and contributions. • If you intend to claim a tax deduction for personal contributions made to a complying fund, ensure that you notify your super fund AND receive a confirmation from the super fund.
Non-Concessional Contributions	Maximise your Non-Concessional Contributions	• The non-concessional contribution cap for all regardless of age is $110,000 for FY2024 (and $120,000 for FY2025). • The "bring forward" rules are still available to individuals under the age of 75. • If you triggered the bring forward provisions in prior years, you have a transitional cap. Your remaining contribution cap will depend on the year you triggered the provisions and how much the contribution totalled. • If you have a total superannuation balance at 30 June 2023 between $1,680,000 and $1,900,000 you may also have a restricted transitional cap. • If your total super balance exceeds $1.9M at the start of the financial year (i.e. 1 July 2023), you can no longer make non-concessional contributions.
Spouse contributions	Changes to eligibility threshold	• A maximum tax offset of $540 is available if you make a super contribution on behalf of your spouse, provided that your spouse's assessable income, plus reportable FBT and reportable super is under $40,000, and their total super balance is under $1,900,000 at 30 June 2023 and have not exceeded the non-concessional contribution cap. • From 1 July 2020, the age limit for spouse contributions made to a spouse's account has increased. To qualify for the offset, the spouse must be under 75 years of age.
Division 293	Income threshold	• If your combined Div293 income and super contribution exceeds $250,000, an additional 15% tax will be levied on the lesser of the amount over threshold or Div293 super contributions made for the year.
New pension accounts	Advise our office if new pensions have commenced	• Due to reporting requirements to the ATO, if you have commenced a new pension or intend to do so in the near future, please contact us immediately if your super balance is greater than $1M.

Superannuation related matters BEFORE 30th June 2024		
Low Income Superannuation Tax Offset (LISTO)	Replaces Low Income Super Contribution (LISC)	• Tax offset of 15% of concessional contributions via a payment to your superannuation fund is available for anyone with an income under $37,000. The maximum payment you can receive for a financial year is $500.
Superannuation Pension Drawings	Draw at least the minimum pension	• Mini mum pension requirements must be drawn in cash by 30 June 2023, or the account will cease to be a pension account. • Minimum pension is 4% of the balance at the beginning of the income year for individuals under 65 years of age, 5% if aged from 65-74, 6% if aged from 75-79 and 7% if aged 80-84. Higher drawdowns are required for older person accounts. • Please check your super fund records to confirm any drawings that have been made this year that will be considered to be pension payments.
Transition to Retirement Income Stream (TRIS)	No longer a tax-exempt pension	• If you are receiving a TRIS but your circumstances have changed, you may be eligible to convert your pension to a full account based pension. • The rules in this area are now quite complex so please contact us to discuss further.
Death Benefit Pensions	If you are receiving a superannuation reversionary pension following a recent death or are nominating a reversionary beneficiary for your pension account	• You need to seek advice regarding how this is to be treated in the context of all your potential superannuation benefits. • This is URGENT and may require changes to your SMSF Trust Deed.
Trust Deed and Estate Planning	Schedule a review of your Trust Deed and Binding Death Benefit Nominations	• Due to the changing rules and regulations, your existing arrangements may no longer be suitable or feasible, so it is essential that your arrangements and the deed be reviewed promptly.
First Home Super Saver (FHSS) Scheme	Fifth year of operation	• The 2018 year was the first year contributions could be made under this scheme. • All contributions can be included; there is no need to nominate or separate any contributions. • From 1 July 2018, you can apply to release your voluntary contributions, along with associated earnings to help to purchase your first home. However you must meet the eligibility requirements to apply for the release of these amounts. • From 1 July 2023, the amount of eligible contributions that can count towards your maximum releasable amount across all years will increase from $30,000 to $50,000. • You can apply to have a maximum of $15,000 of your voluntary contributions from any one financial year included in your eligible contributions to be released under the FHSS Scheme.

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INDIVIDUALS

Maximising allowable deductions

Bringing forward deductions before 30 June 2024 will reduce your assessable income for this financial year and may include:

- Work-related expenses;
- Professional memberships;
- Donations to deductible gift recipients;
- Income protection insurance.

Work from home deductions

The ATO has tightened the work from home deductions with shortcut method in FY2024 comparing to the previous year.

For 2024 financial year, the shortcut method allows you to claim a fixed rate of 76 cents per hour you worked from home. This covers your electricity and gas, internet expenses, mobile and home phone expenses, stationery and computer consumables such as ink and paper, which means you will not be able to claim any of the above expenses in addition to the deductions worked out using fixed rate. You will also need to keep a record of your actual working days and time you worked from home during the year in order to use the shortcut method. The ATO has stated that they will not accept estimates.

The alternative method being the actual method has not changed. The actual method requires you keep a copy of the actual expenses you have incurred on top of your normal running cost for working from home, as well as a diary for at least 4 continuous weeks that represents your typical work pattern.

Investments

Rental property income and expenses – ensure all payments are made before year-end and that you retain records of all income and expenses relating to the property during the 2024 income year.

If you have the available cash, consider prepaying interest for the 2024 income year on your rental property (or interest in relation to loans used to acquire other income-producing assets).

Investment property deductions:

- Consider arranging for a quantity surveyor to prepare a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions available and allow you to claim the cost of obtaining the Property Depreciation Report itself.

- However, depreciation is no longer allowed on previously used plant and equipment bought on or after 9 May 2017 (i.e. if you bought a second-hand residential property after 9 May 2017, you can only claim the building write-off deduction and not the depreciation on plant and equipment unless you buy it directly).
- From 1 July 2017, you can no longer claim travel expenses as a deduction relating to inspecting, maintaining, or collecting rent for a residential rental property.
- Where any part of the loan relates to personal expenses, or where part of the loan has been refinanced to free up cash for private purposes, such as school fees, holidays etc. then the loan needs to be apportioned and only the interest relating to the portion of the loan for investment purposes can be claimed.

Defer Investment Income & Capital Gains

Broadly, capital gain on disposal of a capital asset is generally assessable on the date the relevant contract is entered into. If you are considering selling shares, business or property, you may wish to bring forward or delay signing the contract until the new financial year, depending on whether you are seeking to crystallise a loss before year-end or delay a capital gain. Realising a capital loss to offset against prior realised capital gains derived in the 2024 financial year can assist in minimising taxation payable for the 2024 financial year.

Superannuation – Personal Deductions

All individuals are now eligible to claim a tax deduction for personal superannuation contributions. The "10% test" was scrapped on 1 July 2017. This is subject to super caps of $27,500 for concessional contributions. You should check existing contributions (including those made by your employer) before making any additional contributions as excess contribution taxes apply where caps are breached.

Concessional contributions are only deductible when the super fund receives the payment before 30 June 2024.

Individuals may be eligible to access carry forward unused concessional contributions from prior years if superannuation balance at the beginning of the financial year is less than $500,000

INDIVIDUALS IN BUSINESS

Income derived and deductions that are incurred before 30 June 2024 will be included in this income year.

If you use a motor vehicle for work-related purposes, it is important to monitor your work- related kms travelled and have your logbook up-to-date to ensure you can claim the highest deduction available. Note that the 12% of the cost of the car and one-third of actual expenses method of claiming motor vehicles deductions no longer apply.

Temporary full expensing is no longer available in FY2024. The government has announced instant asset write off for small businesses up to $20,000. However, please note that the Bill is yet to pass the parliament at the time of writing. If you have any questions or concerns, please discuss this with your Hall Chadwick adviser.

BUSINESS ENTITIES

Defer Income

Where practical for Small Business Entities and depending on whether it returns on a cash or accruals basis, you may wish to consider deferring the issue of invoices and/or the receipt of cash until after 30 June 2024. Please note that the ATO will generally require you to pay tax on income that you have either received or become entitled to due to the completion of work.

Maximise Your Deductions

From 1 July 2021, businesses with aggregated turnover of less than $50M can immediately deduct certain start-up expenses.

Review inventory and assets schedules for obsolete items and items that may be scrapped. Pay professional fees or other employment or business-related deductions before 30 June 2024.

For companies and other businesses that are taxed on an accrual basis, it is not always essential that an invoice is received for an expense to be deductible. Prior to year-end consider what additional specific accruals can be booked into the accounts and deducted for tax purposes on the basis that you are wholly committed to the expense at year-end, it is capable of reasonable estimation (e.g. accrued utilities) and the accrual relates to work or services provided before year-end.

Skill and Training Boost

Small businesses with aggregated turnover of less than $50m can claim a bonus 20% deduction for eligible expenditure for external training provided to your employees.

To claim the boost, the training needs to have been provided by a registered training provider and registered and paid for between 29 March 2022 and 30 June 2024. Typically this is vocational training to learn a trade or courses that count towards a qualification rather than professional development.

Expenditure for training non-employees is not eligible, such as sole traders, partners in partnerships, and independent contractors.

Cost of in-house or on-the-job-training is not eligible expenditure for this purpose.

Private Company ("Division 7A") Loans

Business owners who have borrowed funds from their company in previous income years and put the loan under a complying loan agreement must ensure that the appropriate minimum payments of principal and interest repayments (ATO Benchmark interest rate for 2023-24 — 8.27%) are paid by 30 June 2024. Note, if business owners borrowed funds from the company during 2024 financial year, then they must ensure that it is either repaid in full or put under a complying loan agreement by the relevant date (that is generally the due date for the lodgement of the relevant company's tax return for 2024 or the actual date of lodgement, whichever is earlier).

Treasury has released a long-awaited consultation paper to amend the operation of Division 7A on 22 October 2018, however, the Government announced on 30 June 2020 to delay start date of amendments to Division 7A to income years commencing on or after the date of Royal Assent of the legislation. As most of the proposed changes are detrimental, clients concerned with the operation of their Division 7A loans should contact Hall Chadwick for advice. At the date of this publication, the new Federal Labour Government have not made any written announcements regarding any proposed amendments to Division 7A.

Prepayments

Generally, businesses must deduct expenses of $1,000 or more over the relevant period to which they relate. However, if the entity is a small business entity (generally, aggregated turnover <$50m), they may prepay up to 12 months' worth of expenses and claim the full amount in the current year.

Taxpayers that are not in business may also prepay up to 12 months of deductible expenses including interest on investment loans and related subscriptions and claim full deductions.

Year-End Stock Take/Work in Progress

If applicable, you need to prepare a detailed stock take and/or work in progress listing as at 30 June 2024. Review your listing and write-off any obsolete or worthless stock items.

If you are a small business entity or medium business entity (turnover < $50 million), stock valuation is not required if the difference between opening and estimated closing value of trading stock for the year is $5,000 or less.

Write-off Bad Debts

Review your trade debtors listing and write off all bad debts before 30 June 2024. Prepare a minute of meeting, listing each bad debt as evidence that these amounts were actually written off prior to year-end, and ensure accounting records as at 30 June 2024 evidence the debt being written off.

Bad debts may not be deductible if there has been a change in ownership or control of a company or trust (unless company passes the similar business test).

Employee Superannuation Payments

The superannuation guarantee rate is 11% of an employee's ordinary time earning from the period 1 July 2023 to 30 June 2024. From 1 July 2024, you should ensure your payroll systems have been updated so that all eligible employees are receiving contributions at the increased rate of 11.5% from 1 July 2024.

From 1 July 2022, all employee wages are liable to the superannuation guarantee, subject to the quarterly contribution threshold. The previous exemption for monthly wages less than $450 no longer applies.

Contributions are only deductible when paid and only if paid on or before its due date. Please ensure all contributions are paid within 28 days after the end of the quarter. Payments must be made electronically and the fund must be notified in an approved electronic format.

Dividends

You may wish to pay dividends on or before 30 June 2024 in order to ensure that the dividend income is derived by the relevant shareholders during the 2024 income year (particularly where shareholders, or beneficiaries of a family trust that is a shareholder of a company have losses or are otherwise on low tax rates so as to minimise the overall tax payable). Note, however, the Commissioner's views in relation to 'reimbursement agreements', where trustees make a tax distribution to a low tax rate beneficiary as part of an arrangement whereby the actual benefit is received by a higher rate beneficiary. In these circumstances, the Commissioner may seek to assess the trustee at the top marginal tax rate.

Changes to the company tax rates now means that franking credits attached to franked dividends are limited to the corporate tax rate applicable to the entity paying the dividend. This means base rate entities that now have access to the 25% tax rate will only be able to frank dividends at the franking rate of 25%, irrespective of whether the tax rate applicable to the profits generating the franking credit may have been taxed at 30% (or other) rate.

Trust Resolutions

Ensure that Trustee Resolutions are prepared and signed before 30 June 2024 for all Discretionary ("Family") Trusts. Most trust deeds (and the tax law) generally require such discretion to be exercised by 30 June each year and in the absence of such exercise, either:

- default beneficiaries under the trust will be assessable in relevant proportions (and this may not be tax effective); or
- in the absence of default beneficiaries, the trustee will be assessed at the top marginal tax rate.

Trustees should examine their compliance with recent ATO rulings and taxpayer alerts that seek to apply section 100A, an anti-avoidance section of the Tax Act, to trust distributions to beneficiaries that do not receive the actual cash or benefit of the trust distributions.

Trust to Trust Distributions

Trusts are generally subject to carry forward loss rules, including the 'income injection' test. However, if trusts are within a 'family group', trust income from one trust may be 'injected' into a loss trust so as to soak up the losses and reduce assessable income. Please ensure appropriate Family Trust Elections and/or Interposed Entity Elections are made.

Trust deeds should be regularly reviewed to confirm how it interacts with the various tax requirements, some of which are mentioned above.

SUPERANNUATION FUNDS

Super contribution caps

Concessional contribution cap for FY2024 is $27,500 ($30,000 for FY2025).

For concessional contributions, a superfund must receive the contribution by 30 June 2024 for it to be deductible to the payee.

If you have unused concessional contributions from the previous years and your total super balance is less than $500,000 at 30 June 2023, you may be able to carry forward the unused concessional cap from the previous (up to 5) financials years.

Non-concessional contribution cap for FY2024 is $110,000 ($120,000 for FY2025) only if your total super balance is less than $1.9m at 30 June 2023; otherwise it's nil.

If your total super balance is less than $1,900,000 at 30 June 2023, you may be eligible to bring forward the non-concessional caps from the next 1 or 2 years.

If you are aged 75 and above, the super fund is only able receive compulsory employers' contribution and downsizer contribution. It would be able to accept any voluntary contributions including salary sacrifice.

First home super saver scheme (FHSS)

If you have made eligible contributions under the FHSS Scheme, you will be able to apply to have these released to purchase or build your first home.

You can withdraw up to $15,000 of your voluntary contributions from any one financial year, up to a total of $50,000 across multiple years, plus associated earnings.

FHSS isn't right for everyone. Consult with your Hall Chadwick adviser if you would like to know more.

Downsizer contribution scheme

From 1 January 2023, if you are 55 or older and sell your home that you owned for more than 10 years, an additional contribution of up to $300,000 can be made from the sale proceeds into your super fund.

Downsizer contribution does not count toward non-concessional contribution cap, but it counts toward towards transfer balance cap.

If you are considering making a downsizer contribution, please contact your Hall Chadwick adviser.

Starting pension

If you are 55 years of age or over, you can commence a transition to retirement (TTR) pension. Transition to retirement means you are able to contribute to your fund and withdraw a maximum pension amount of 10% of your member balance at the beginning of the income year (or when you commence the pension). Earnings to support a TTR pension are taxable.

If you have started an account-based pension, you need to make sure you meet the minimum annual pension requirement. Minimum pension payment is 4% of the balance at the start of the income year for individuals under 65 years of age, 5% if aged from 65-74, 6% if aged from 75-79 and 7% if aged 80-84. Higher rates are applicable for those aged 85 or over. These minimum pension payments must be made before 30 June 2024.

Division 293 tax

If you have Div293 income plus super contribution over $250,000, you will need to pay additional tax of 15% on your concessional superannuation contributions.

Div293 income is ordinary taxable income plus reportable fringe benefits, plus total net investment losses (which is added back), plus amount on which family trust distribution tax has been paid, plus super lump sum tax element with a zero tax rate, and plus assessable first home super saver released amount.

Division 296 tax

The government is proposing to levy 15% on an individual's "superannuation earnings" (including unrealised capital gains) on the part of their total super balance over $3m at then end of each financial year.

The $3m will not be indexed.

The tax is proposed to apply from 1 July 2025 for the 2026 financial year, subject to the Bill making its passage through both houses before 30 June 2024.

SMALL BUSINESS CGT CONCESSIONS

If you make a personal super contribution using the capital proceeds received from the sale of certain small business assets, you could consider whether to apply the small business capital gains tax cap election. For the 2023 income year, the lifetime CGT cap is $1,705,000 ($1,780,000 for FY2025). These contributions are excluded from being counted towards the non-concessional contributions cap.

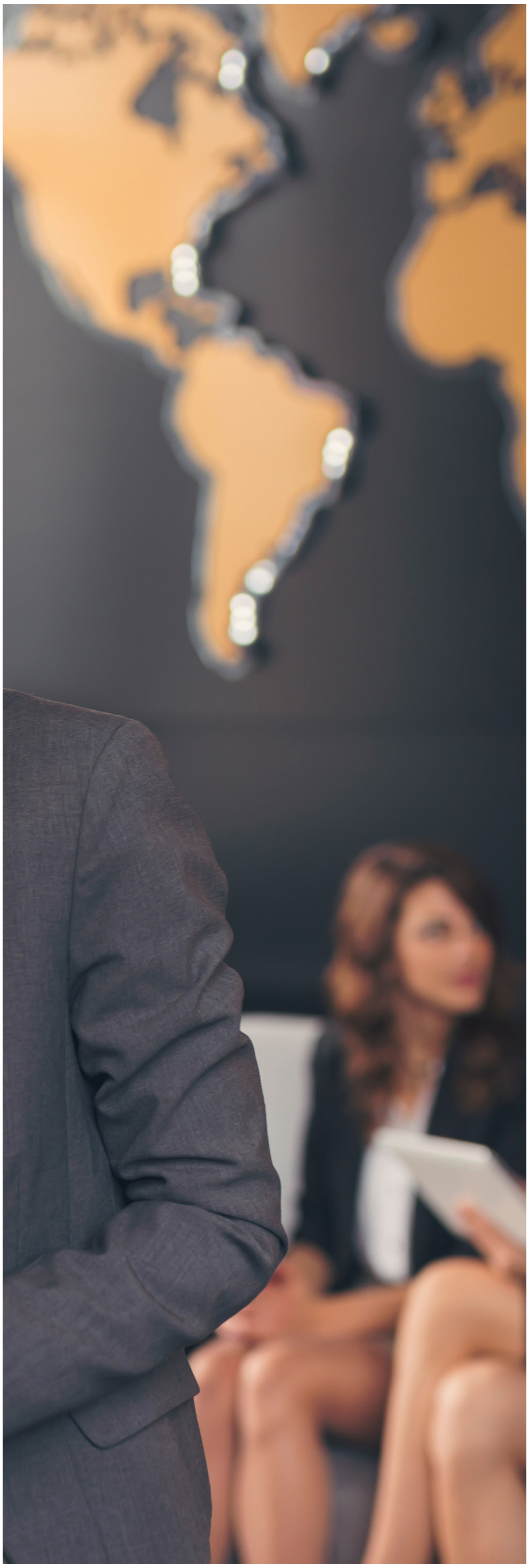
In conjunction with your year-end planning, it is also important to consider where you and/or your business are and where you would like to be going forward.

Whether you are:

- planning to expand your business interstate or internationally;
- planning to purchase an investment property, a share portfolio;
- planning for your retirement (whether it be establishing an SMSF, structuring property investments/ developments in an SMSF);
- reviewing the adequacy of your current insurance coverage (income protection, life insurance, TPD);
- thinking about business succession; and thinking about estate planning.

Given the complexity of some of the issues mentioned above and some other issues which may apply to your business, it is important that you obtain expert tax advice in relation to your particular circumstances.

If you would like to make an appointment for further discussion, please feel free to contact your Hall Chadwick adviser.



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