MOORE

YEAR END TAX PLANNING 2024

JUNE 2024

Several changes have been legislated over the last year which businesses and individuals need to be aware of whilst doing their end of year tax planning.

INDIVIDUALS – TAX RATES

Tax rates and thresholds will be changing with effect from 1 July 2024 and the following table summarises the tax rates for Australian resident individuals from 1 July 2024:

Tax Rate	Taxable income up to 30 June 2024	Taxable income from 1 July 2024
0%	$0 - $18,200	0 - $18,200
19%	$18,201 - $45,000	N/A
16%	N/A	$18,201 - $45,000
30%	N/A	$45,001 - $135,000
32.5%	$45,001 - $120,000	N/A
37%	$120,001 - $180,000	$135,001 – $190,000
45%	$180,001 and over	$190,001 and over

TIP – BRING FORWARD YOUR DEDUCTIONS

With the marginal tax rates reducing next year, individuals earning in excess of $18,201 will benefit from bringing forward their tax deductions to the 2023/24 income year. Individuals can consider making additional donations, prepayment of interest in respect of certain income producing loans (e.g., rental properties) prior to 30 June 2024.

INDIVIDUALS – SUPERANNUATION THRESHOLDS

For the 2023-24 financial year, the general concessional contributions cap is $27,500 for all individuals regardless of age.

From 1 July 2024, the general concessional contributions cap is $30,000 for all individuals regardless of age. If a member's total superannuation balance is less than $500,000, they can access their unused concessional contributions caps on a rolling basis for 5 years.

For the 2023-24 financial year, the non-concessional contributions cap is $110,000. From 1 July 2024, the non-concessional contributions cap increases to $120,000.

TIP – BRING FORWARD YOUR DEDUCTIONS

Individuals should also consult with their financial planners to check whether it is worthwhile making additional concessional contributions into their superannuation funds prior to 30 June 2024.

COMPANY TAX RATES

The tax rate for base rate entities (BREs) is now set at 25%. BREs are entities that have an aggregated turnover of less than $50 million and derive less than 80% of their income from defined passive sources including (but not limited to) rental income, certain dividends, and interest income. The tax rate for all other companies is 30%.

REVIEW LOANS TO SHAREHOLDERS AND ASSOCIATES (DIVISION 7A LOANS)

The Government had previously announced its intention to introduce changes to the operation of Division 7A. However, at this stage, no draft legislation has been released.

Shareholder loans from companies need to be properly documented and put on a commercial footing in line with the Division 7A tax legislation. In addition to documenting such loans, it is important to ensure interest rates are correctly applied and the minimum repayments are being made to ensure no deemed dividends arise. The Australian Taxation Office (ATO) continues to undertake audits to ensure payments made by private companies are correctly accounted for and company loans are not used to distribute tax-free profits.

In addition to Division 7A loans, you should also review any unpaid present entitlements (UPEs) where trust distributions remain unpaid at the end of the year. We recommend speaking to one of our advisors who can guide you through the complexities of the Division 7A provisions.

FRANKING AND DIVIDENDS

If you are planning on paying any dividends in your company prior to year-end, it is important to ensure that you have met the documentation/notification requirements. In addition, ensure your franking account is up to date as it is imperative that you have sufficient franking credits to avoid paying franking deficits tax at a later date. Ensure the company has applied the correct franking rate – if the entity was a base rate entity in the 2023 income year, the franking rate should be 25% for dividends paid in the 2024 income year. For all other companies, the franking rate is 30%.

TRUST RESOLUTIONS

Trustees of discretionary and family trusts must make valid distribution resolutions before 30 June to effectively distribute trust income to eligible beneficiaries. The resolution must be made in accordance with the Trust Deed. If the Trust has not made a valid distribution by 30 June 2024, the Trustee may be liable to pay tax on the Trust's taxable income at the highest marginal tax rate (subject to any default beneficiary clauses present in the Trust Deed).

Trustees should also consider impact of the ATO's guidance on s100A of ITAA 1936. S100A is an anti-avoidance provision and gives the ATO powers to assess the Trustee of the trust at the highest marginal tax rate if the ATO considers the distribution part of a reimbursement arrangement and the "ordinary family and commercial dealings" exclusion does not apply. The finalised guidance issued by the ATO provides its views on when the ordinary family and commercial dealings exclusion may apply.

DEPRECIATION ON PLANT AND EQUIPMENT

From 1 July 2023, small businesses with an aggregated turnover of less than $10 million may be eligible for the instant asset write off (IAWO) on the purchase of eligible assets costing less than $20,000. This threshold for the IAWO applies for the 2023-24 and 2024-25 income years. Any asset costing $20,000 or more is allocated to a small business depreciation “pool” and you can claim 15% in the year of purchase and 30% in subsequent years. Please note, these changes have not been legislated as yet.

TIP – GET THE TIMING RIGHT!

If you plan on purchasing depreciating assets, ensure you have purchased and installed the asset ready to use by 30 June 2024 to claim depreciation in the 2023-24 financial year.

WARNING – CONSIDER THE COST LIMIT BEFORE BUYING CARS!

If you plan on purchasing a car with a carrying capacity of less than one tonne which is designed to carry passengers (such as a sedan or hatchback), the amount of depreciation that can be claimed is limited to the car cost limit which is currently set at $68,108. The cost limit also impacts the maximum GST you can claim on these vehicles.

The cost limit, however, does not apply to utility type vehicles with a pay load capacity of more than one tonne.

Certain types of dual cab vehicles with a carrying capacity of less than one tonne which are not designed to carry passengers are not impacted by the cost limit. Whether or not a vehicle is designed to carry passengers depends on the specifications of the vehicle. If you are purchasing a dual cab vehicle with a carrying capacity of less than one tonne, contact your advisor to check the depreciation and GST that can be claimed on the purchase of the vehicle.

UNCERTAINTY AROUND INSTANT ASSET WRITE OFF CHANGES

These changes have been “in limbo” for numerous months and the Senate has made a couple of further changes to the IAWO which have not been legislated, including:

1. Increasing the threshold from $20,000 to $30,000.
2. Expanding access to the IAWO to medium sized businesses with an aggregated turnover of between $10 million and $50 million.

At the time of writing this report, the changes have not been accepted by the House of Representatives, and we would recommend you contact your Moore Australia advisor to ensure your business does have access to the IAWO before making any significant purchases in the lead up to year-end.

EMPLOYER OBLIGATIONS – INCREASE IN SUPERANNUATION GUARANTEE RATE

The superannuation guarantee rate will rise from 11% to 11.5% from 1 July 2024. The rate will subsequently rise to 12% in the 2024-25 income year. It is prudent to review your employment contracts and ascertain whether the employee's package is inclusive of or excluding the superannuation guarantee. You should also review your payroll systems and setup to ensure this change is processed correctly.

EMPLOYER OBLIGATIONS – DEDUCTIBILITY OF PAYMENTS TO WORKERS (INCLUDING DIRECTORS AND ASSOCIATES)

From 1 July 2019, you must comply with PAYG reporting and withholding obligations in order to claim a tax deduction for payments you make to workers (including employees and contractors). If you fail to withhold PAYG from your workers' payments or do not report the amounts to the ATO prior to an audit/review, they may be considered non-compliant payments and treated as non-deductible for income tax purposes. Particularly, care must be taken when paying associates (e.g., business owners or their family members) to ensure you meet your withholding and reporting obligations.

ADDITIONAL 20% DEDUCTION BOOSTS - EXTERNAL TRAINING

Small businesses with an aggregated turnover of less than $50 million will be able to deduct an additional 20% of expenditure incurred on certain types of expenditure in relation to external training.

ADDITIONAL 20% DEDUCTION BOOSTS – SMALL BUSINESS ENERGY INCENTIVE

The Small Business Energy Incentive will be made available to small and medium-sized businesses with an aggregated turnover of less than $50 million. The incentive will provide an additional 20% deduction on spending that supports electrification and more efficient use of energy. Eligible expenditure is capped at $100,000. This additional deduction will only apply to the 2023-24 income year. Please note, this has not been legislated as yet.

MORE INFORMATION

For an overview of this incentive, refer to our article: **Unlocking Energy Efficiency: The Essential Guide to the Small Business Energy Incentive.**

REPORTING - TAXABLE PAYMENT ANNUAL REPORT (TPAR)

If you are in one of the following industries, you may need to lodge a TPAR by 28 August 2024 containing information in relation to payments made to contractors:

- Building and construction
- Cleaning services
- Courier services
- Road freight services
- Information technology services
- Security, investigation, or surveillance services
- Mixed services (provides one or more of the services listed above)

REPORTING – PAYMENT TIMES REPORTING

The Payment Times Reporting Scheme (PTRS) requires certain entities including (but not limited to) companies to publicly report on their payment terms and practices for their small business suppliers. This is achieved primarily through the imposition of a bi-annual reporting requirement whereby affected entities must provide details of their payment terms for small business. This information is then published on a public register which can then be accessed by any interested party.

Companies that carry on an enterprise may have a compliance obligation for the purposes of the PTRS if any of the following apply:

1. The total income for the entity for the most recent income year for the entity was more than $100 million.
2. If the entity is a controlling corporation – the combined total income for all members of the controlling corporation's group for the most recent income year for the controlling corporation was more than $100 million.
3. If the entity is a member of the group of a controlling corporation to which subparagraph (2) applies – the total income for the entity for the most recent income year for the entity was at least $10 million.

FINANCIAL REPORTING OBLIGATIONS

Large proprietary companies may be required to lodge audited financial statements with ASIC. A proprietary company is considered to be large if any two of the following three conditions are met:

- Consolidated revenue for the year ≥ $50m.
- Consolidated gross assets at year-end ≥ $25m.
- Consolidated number of employees at year-end ≥ 100.

Even if a company is not considered large, requirements to prepare and/or lodge financial statements may arise including (but not limited to) situations where the entity:

- Is controlled by a foreign company and not consolidated in a set of financial statements already lodged with ASIC.
- Has one or more crowd sourced funding shareholders.
- Holds an AFSL.
- Is considered a significant global entity.
- Is required to prepare financial statements in accordance with Australian Accounting Statements under the constitution or any other agreements such as shareholder agreements or loan agreements.

MORE INFORMATION

For an overview of when entities have reporting requirements with ASIC, refer to our article: **Identifying when you need to lodge financial reports with ASIC.**

TAX PLANNING CHECKLIST – FOR BUSINESS

Item	Enhance your tax deductions
Accrued expenses	Ensure you accrue expenses where you have a present existing liability to pay the expense, irrespective of the fact that you may receive the invoice or make the payment after year end. Example: Accrued wages – for instance, if you have a monthly pay cycle ending on 15 June, you can accrue the costs of your payroll from 16 June to 30 June and claim the wage cost as a tax deduction in the 2024 year itself.
Bad debts	Review your debtors listing and determine whether any debts can be written off. A written record should be kept evidencing the decision to write off the debt from the accounts.
Bonuses	If you have not paid your bonuses by 30 June, you may still be able to claim a deduction provided you have an obligation to pay this. To substantiate this, ensure the amount is quantifiable and approved (via minutes) and the staff are notified of the bonus.
Deferring income	The ability of a business to defer income will depend on each business, cash flows and the type of income derived.
Plant and equipment	Consider the impact of the temporary full expensing provisions ending and whether your business can access the IAWO on the purchase of eligible depreciating assets during the 2023-24 income year.
Plant and equipment – obsolete	Review your asset register and write off any assets that have been disposed or are no longer in use.
Prepayments – immediate deductions	If you are a small or medium business (aggregated turnover of less than $50 million), you may be entitled to an immediate deduction for certain prepaid expenses where the goods or services will be provided within 12 months from the date of expenditure. Examples of items that may be deductible under the 12-month rule include subscriptions and prepayments of interest on a loan used for income producing purposes.
Simplified trading stock rules	If you are a small business (aggregated turnover of less than $50 million), the simplified trading stock rules may apply. Broadly, you do not have to account for changes in trading stock for tax purposes where the difference between the value of the original opening stock and a reasonable estimate of the closing stock is $5,000 or less.
Stock – obsolete	Review your stock on hand and identify any obsolete stock. You should conduct a detailed physical stocktake of all stock on 30 June. Retain your detailed stock sheets as part of your taxation records.
Superannuation – June 2024 quarter	If you would like to claim a deduction for your superannuation guarantee accrued during the June 2024 quarter, ensure it is paid by 30 June 2024 (subject to cash flow). The amount should be received into the employees' fund by 30 June 2024 so you may have to pay it earlier to allow for bank processing times.

TAX PLANNING CHECKLIST – FOR BUSINESS

Item	Preserve your tax deductions
International related party dealings	Ensure your transfer pricing documentation is up to date.
Salary and wages (incl. director fees)	Ensure PAYG withholding and reporting obligations have been met to prevent loss of deduction for non-compliant payments.
Superannuation – current year	Ensure superannuation is paid by the due dates to maintain your income tax deduction. If any amounts have been paid late, ensure you have prepared and lodged the necessary superannuation guarantee charge forms with the ATO to minimise interest charges and penalties.

Item	Comply with ATO Year-end reporting requirements
Single Touch Payroll	Ensure year end payroll procedures have been completed and make a finalisation declaration. You must make a finalisation declaration for your employees by 14 July 2024.
Taxable Payment Annual Reports (TPAR)	If you are in these following industries, you will need to prepare a TPAR: • Building and construction • Cleaning services • Courier services • Road freight services • Information technology services • Security, investigation or surveillance services • Mixed services (provides one or more of the services listed above) Lodge the TPAR (if necessary) with the ATO by 28 August 2023.

Item	Comply with other income tax/ASIC requirements
Loans	Ensure your loans to and from companies and trusts comply with the current Division 7A provisions and ensure you have made the minimum repayments during the year for any complying Division 7A loans.
Dividends	Ensure you have reviewed your franking account and record any dividends paid to shareholders in your accounting systems. Ensure you have met your documentation / notification requirements.
Trust resolutions	In general, and subject to the terms of the Trust Deed, a discretionary trust needs to resolve how to distribute its income in writing before 30 June.

CONTACT US

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