

BusinessPlus+ Newsletter



INDEX

| | | |
|---|--|----|
| A | The 2022 Financial Year Is Coming To An End | 1 |
| B | End Of Year Tips | 1 |
| C | Taxing Of Trading Income | 1 |
| D | Small Business Entities..... | 2 |
| E | Stock - All Businesses..... | 3 |
| F | Assets..... | 4 |
| G | Employment Issues..... | 4 |
| H | Income Issues..... | 4 |
| I | Utilising Tax-Free Threshold..... | 4 |
| J | Entities Not Defined As Small Business | 5 |
| K | Primary Producers..... | 8 |
| L | Companies | 8 |
| M | Capital Gains Tax | 8 |
| N | Reportable Payment Report | 9 |
| O | Superannuation Funds..... | 9 |
| P | Early Stage Innovation Company Report On Shares Issued | 9 |
| Q | Property Investments | 9 |
| R | End Of Financial Year Review..... | 9 |
| S | Business Review | 10 |
| T | Individuals..... | 10 |

End Of Year Tax Planning - June 2022

A The 2022 Financial Year Is Coming To An End

This special edition of the Business Plus newsletter contains commentary on many of the items you may encounter as part of your end of financial year deliberations. Please contact us for a copy of our end of financial year tax planning paper and checklist. Both will assist you in identifying items which you might like to discuss with us.

B End Of Year Tips

1. **Prepayments** - if your business' turnover is under \$10 million for 2021/22, consider any prepayments that you could make prior to 30 June 2022.
2. **Temporary Full Expensing**
Eligible businesses must have an aggregated turnover of less than \$5, billion.

An eligible entity can claim a deduction for the business portion of the cost of:

- Eligible new assets first held, first used or installed ready for use for a taxable purpose between 6 October 2020 and 30 June 2023;
- Eligible second hand assets where both:
The asset was first held, first used or installed ready for use for a taxable purpose between 6 October 2020 and 30 June 2023.

The eligibility entities aggregated turnover for claiming second hand assets is less than \$50million.

C Taxing Of Trading Income

There are two forms of taxation treatment for trading income, depending on whether the business is assessed on a:

1. "Cash" Basis - businesses are assessed when income is received and payments are deductible when they are paid, if the business' income is less than \$10 million for the year (see [Section D](#)).
2. "Accruals" Basis - businesses are assessed when a legally recoverable debt arises, usually at the

point of invoicing and payments are deductible when the supplier's invoice is received and entered into the business' accounting records, irrespective of the date of payment (see [Section D](#)).

D Small Business Entities

1. Aggregated Turnover (relates to annual turnover received by your business, plus the annual turnover of any business connected to you or that is an affiliate of yours) of less than \$10 million. "Aggregated Turnover" is calculated on a group basis and must be "business income". Please ignore this section if it is not applicable to you. In that case, if you are in business, please refer to "Section J - Entities Not Defined as a Small Business".
2. The Small Business Entity rules apply to a sole trader, partnership, company or trust which has a group turnover of less than \$10 million in the previous year, or likely to be less than \$10 million in the current year.

Depreciation Rules:

3. For new or second hand assets first used or installed ready for use by 30 June 2022 and purchased after 6 October 2020, these assets can be written off under the "Temporary Full Expensing Rules".
 - For passenger vehicles (except a motorcycle or similar vehicle) designed to carry a load less than 1 tonne and fewer than 9 passengers, the limit is \$60,733 (this is the limit of depreciation allowed on a passenger vehicle).
 - The passenger vehicle limit does not apply to vehicles modified for use by people with a disability.
 - If a vehicle has a payload of more than one tonne and is used 100% for business the claim under the "Temporary Full Expensing Provision", can be the cost of the vehicle.
4. Assets excluded from the "Temporary Full Expensing Rules" include:
 - capital works, horticultural plants, assets allocated to a software development pool, buildings, intangible assets including customer lists and Goodwill.
5. Prepayments - Small business entity taxpayers are entitled to a deduction for prepayments where the relevant services will be wholly provided within 12 months of the date of expenditure, such as office supplies, stationery, rent and advertising etc.

General Deductions:

6. Staff Bonuses - ensure that a cheque has been written or payments made prior to 30 June 2022 and PAYG Withholding Tax deducted.
7. Staff Holidays - where practical, encourage staff to take holidays prior to 30 June 2022 or when cashing in holidays, the payment is made before 30 June 2022.
8. Superannuation - for the year ending 30 June 2022, superannuation contributions can be paid for any eligible person:
 - Up to 67 years of age - \$27,500 – contributions can be made even if you are not working.
 - Superannuation Guarantee – 10% in 2021/22 increasing to 10.5% from 1 July 2022.
9. Self-Employed Persons - self-employed persons can obtain a superannuation deduction on the same basis as that adopted for employees.
10. Salary Sacrifice Arrangements - salary sacrifice arrangements can be utilised to maximise superannuation contributions subject to the overall deduction limits.
11. Non-Concessional Contributions - the non-concessional contribution cap is \$110,000 for 2021/22. If you are aged under 67, the Bring Forward Rule lets you make up to \$330,000 (3 times the annual contribution cap in a single year) of non-concessional contributions over 3 years.
12. If you are aged 67 to 74, you can make voluntary superannuation contributions for the first year after you retire without satisfying the work test provided that you have less than \$300,000 in your superannuation account at the 30 June 2022.
13. If you are over 65 years (60 years from 1 July 2022) and you have recently sold your house in Australia or you are about to sell your house that you have lived in for more than 10 years, you are able to make a downsizer contribution of up to \$300,000 to your superannuation fund within 90 days of settlement. This contribution is made from the proceeds of the sale of your house. If you provide your superannuation fund with a form before or while making the contribution, the downsizer contribution won't be accounted for under the concessional or non-concessional contribution caps.
14. You can only have \$1.7 million in superannuation and retirement funds used to commence a retirement income stream.
15. Superannuation Minimum Contributions - superannuation contributions have to be paid to all eligible employees who are paid, at least, \$450 gross per month (this threshold does not apply from 1 July 2022).
16. Interest on Loan Funds - interest can be claimed on loans taken out for business purposes or to purchase income producing properties and shares in companies.
17. Repairs and Maintenance - ensure that the work has been completed prior to 30 June 2022.
18. Director's Fees - ensure that cheques are drawn for payments made prior to 30 June 2022 and that PAYG withholding tax is deducted.

19. Travel Deductions:
 - Overseas - prepare a full itinerary and diarise this travel.
 - Local away for more than 6 nights you are required to maintain a diary.
 A ban on travel related tax deductions for most real estate investors now applies.
20. Motor Vehicle Expenses - there are two methods available to calculate tax deductions for work-related motor vehicle expenses:
 1. Cents Per Kilometre - \$0.72 per kilometre (you can claim up to a maximum of 5,000 business kilometres per vehicle per annum).
 2. Logbook Method - you can claim your actual business kilometres as a percentage of the total kilometres that the motor vehicle has travelled and then utilise that percentage as the claimable percentage of the total motor vehicle expenses incurred.
21. Donations - any promised tax-deductible donations should be made prior to 30 June 2022 to claim the deduction.
22. Borrowing Costs - can be claimed over the shorter of 5 years or the term of the loan.
23. Entertainment - is not deductible unless it is provided as a fringe benefit and the fringe benefit taxes have been paid.
24. Gifts - ensure payment is made to a tax-deductible charity on or before 30 June 2022.
25. Audit Fees - deductible if there is a contract that creates a presently existing liability before 30 June 2022.
26. Salary Packages - ensure 2022/23 salary packages are negotiated and documented prior to 30 June 2022.
27. Legal Costs - review any legal costs that have been incurred. If the legal costs relate to regular business operations (e.g. debt collection), separate these legal costs from the remaining legal costs which will relate to capital items which are not claimable for income tax purposes.
28. Luxury Car Tax - the luxury car tax is 33% and applies to the GST inclusive value in excess of \$69,152 (including GST). The luxury car tax for fuel efficient vehicles applies from a cost of \$79,659 (including GST). For 2022/23 the levels are: Other Vehicles \$71,849, Fuel Efficient Vehicles \$84,916.
29. Research and Development Expenditure for Companies with Turnovers Under \$20 million - a company will receive the benefit of a refundable Research and Development Tax Incentive Rebate calculated at 43.5% of the eligible research and development expenditure spent during 2021/22. For companies with turnovers under \$20m, if the company is trading at a loss and if the rebate is less than the trading loss the tax offset can be paid to the company by the Australian Taxation Office within 30 days of lodgement of the company's income tax return, if the company elects to receive this payment in the company's income tax return. It is important to note that, for the research and development claims in respect of the year ending 30th June 2022, the company must register with AusIndustry by 30 April 2023 or the date of lodgement of the company's income tax return, whichever is the earlier.

The minimum expenditure on complying research and development activities is \$20,000 for the year irrespective of the number of projects and whether the research was successful or not so long as the records required by the legislation have been maintained.

Companies must lodge any Overseas Finding Application relating to overseas expenditure in 2021/22 with Australian Taxation Office by 30 June 2022.

30. Trading Stock Rules - small business entities (turnovers under \$10 million) do not have to account for changes in trading stock or prepare a stock-take for taxation purposes, where the difference between the opening value of stock in a reasonable estimate of the closing stock is \$5,000 or less.
31. Loss carried back
If you make a tax loss in an income year as a result of claiming an immediate deduction under "Temporary Full Expensing" provision. If you are a corporate tax entity, instead of carrying the tax loss forward and using it to offset your future income, you can consider if you are eligible for a refundable tax offset under loss carry back provisions. Please discuss these issues with your accountant.

E Stock - All Businesses

1. Stock on Hand - review stocktake lists in early June 2022. Determine whether to conduct "sales" prior to 30th June 2022. Conduct stocktake as at 30 June 2022. If you are conducting regular "rolling" stocktakes throughout the year, it may not be necessary to conduct a stocktake as at 30 June 2022. Stocktaking may not be necessary if you are a small business entity (refer [Section D](#) - Trading Stock Rules).
2. Value of Stock - stock can be valued at different individual methods for each item of stock:
 - cost
 - sale value
 - lower of market value or replacement cost
3. Obsolete Stock - identify any obsolete stock and decide whether to clear or dump that stock prior to stocktake.

F Assets

1. Fixed Assets - determine if there are any benefits for scrapping any fixed assets to obtain a tax write off prior to 30 June 2022.

G Employment Issues

1. Single Touch Payroll - if you're using the Single Touch Payroll (STP) you are exempt from issuing payment summaries to your employees. The payment summaries will be made available to your employees online through MyGov. The finalisation declaration requires the employer to declare that all of the information relative to the financial year for each employee has been provided through your STP reporting. Finalisation declaration lodgement is required by 14 July.
If you have 20 or more employees, you should be reporting closely held payees each payday along with arm's-length employees. The finalisation due date for closely held payees is 30 September each year.
For small employers (19 or fewer employees) who only have closely held payees, the due date for the end of year STP finalisation will be the payee's income tax return due date.
If you are an employer with a mixture of both closely held payees and arm's-length employees, the due date for the end of year STP finalisation for closely held payees is 30 September each year. All other employees are due by 14 July each year.
2. Payment Summaries - if you are not using Single Touch Payroll, payment summaries have to be prepared and sent to all employees by 14 July 2022.
3. PAYG Withholding Tax - if you are not using Single Touch Payroll, the annual summaries are due to be lodged with the Australian Taxation Office by 14 August 2022.
4. Payroll Tax (if you are liable - this is a State/Territory government tax - if you have any questions, please contact us) - you have to prepare a reconciliation of total payroll for the year showing the total amount of payroll tax payable and then reconcile this with the remittances that you have forwarded to your State/Territory government agency during the year.
5. WorkCover - a WorkCover declaration is due by 31 August 2022 certifying wages paid for the year ending 30 June 2022.

H Income Issues

1. Government Grants - if your business has received a grant from an Australian, State or Territory government department, other than the "cashflow boost payments", it is most likely paid to you on the basis that it is taxable income and therefore you need to disclose the receipt of the government grant in your income tax return.
If you are lodging your income tax return on a cash basis, this highlights the desirability of ensuring that all of the government grant funds have been expended on tax deductible items prior to 30 June 2022 (if possible).
Please note: The "Job Keeper Payments" provided by the government are to be treated as taxable income by the business receiving the payments.
2. Personal Services Income - taxation laws include measures that are designed to limit the deductions available to certain contractors, whether operating as a sole trader or through a company, trust or partnership; these are known as the "Personal Services Income (PSI) Measures". A taxpayer, who meets certain specified tests, will be treated as carrying on a personal services business and will be able to claim a wider range of deductions. If you are operating a personal service business you need to be aware of the Australian Taxation Office's strict approach to income retention and income splitting. If you have any questions relating to this item, please contact us.
3. Non-Commercial Losses - for a business to be commercial, under the "Non-Commercial Losses Tests", the business needs to meet certain prescribed tests. If the tests are not met, any losses, arising from the activities, have to be carried forward as an offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2021/22.
4. Trust Distributions - the Australian Taxation Offices indicated that it will be enforcing the full measure of the law, whereby trustee distributions/resolutions have to be made by 30 June each year.

I Utilising Tax-Free Threshold

1. Every adult taxpayer has a tax-free threshold of \$18,200. If a taxpayer is verging on losses, consideration should be given to the decisions being made in relation to the valuation of stock,

bringing forward a delay of sales etc. to utilise the tax-free threshold. Otherwise, the benefit will be lost for ever.

J Entities Not Defined As Small Business

1. Aggregated turnover (Refer Section D) of over \$10M for the year. Please ignore this section if not applicable to you - refer to Section D - Small Business Entities.
2. The prepayment rule for “other small businesses” applies to business taxpayers with a group turnover of \$10M or more.
3. Depreciation:
Temporary Full Expensing – eligible businesses must have an aggregated turnover of less than \$5 billion.

An eligible entity can claim in its tax return a deduction for the business portion of the cost of:

- Eligible new assets first held, first used or installed ready for use for a taxable purpose between 6 October 2020 and 30 June 2023
- Eligible second hand assets where both:
 - The asset was first held, first used or installed ready for use for a taxable purpose between 6 October 2020 and 30 June 2023

The eligible entities aggregated turnover is less than \$50 million.

4. Car Limit:
 - For passenger vehicles (except a motorcycle or similar vehicle) designed to carry a load less than one tonne and fewer than 9 passengers, the limit is \$60,733 (this is the limit of depreciation allowed on a passenger vehicle).
 - The passenger vehicle limit does not apply to vehicles modified for use by people with a disability.
 - If a vehicle has a payload more than one tonne and is used 100% the business, the claim under the “Temporary Asset Expensing Provision” can be the cost of the vehicle.
5. Loss carried back:
 - If you make a tax loss in an income year as a result of claiming an immediate deduction under “Temporary Full Expensing” provision. If you are a corporate tax entity, instead of carrying the tax loss forward and using it to offset your future income, you can consider if you are eligible for a refundable tax offset under loss carry back provisions. Please discuss these issues with your accountant

General Deductions:

6. Staff Bonuses - ensure a cheque has been written with payment made prior to 30 June 2022 and tax deducted.
7. Staff Holidays - where practical, encourage staff to take holidays prior to 30 June 2022 or if being cashed out, paid before 30 June 2022.
8. Superannuation - for the year ended 30 June 2022 superannuation contributions can be paid for any eligible person:
 - up to \$27,500
9. Superannuation Guarantee - 10% in 2021/22, increasing to 10.5% from 1 July 2022.
10. Self-Employed Persons - can obtain a superannuation deduction on the same basis as that adopted for employees.
11. Salary Sacrifice Arrangements - salary sacrifice arrangements can be utilised to maximise superannuation contributions subject to the overall deduction limits.
12. Non-Concessional Contributions - the non-concessional contribution cap is \$110,000 for 2021/22. If you are aged under 67, the Bring Forward Rule lets you make up to \$330,000 (3 times the annual contribution cap in a single year) of non-concessional contributions over 3 years.
 - If you are aged 67 to 74 years you can make voluntary superannuation contributions for the first year after you retire without satisfying the work test provided you have less than 300,000 in your superannuation account at 30 June 2020.
13. If you are over 65 years (60 years from 1 July 2022) and you have recently sold your house or you're about to sell your house that you have lived in for more than 10 years, you are able to make a downsizer contribution of up to \$300,000 to your superannuation fund. The contribution is made from the proceeds of the sale of your house which you have owned for at least 10 years and is located in Australia. If you provide your superannuation fund with a form before/while making the contribution, the downsizer contribution won't be accounted for under the concessional or non-concessional superannuation caps. You can only have \$1.7 million in superannuation and retirement funds used to

commence a retirement income stream.

14. Superannuation Minimum Contributions - superannuation contributions have to be paid to all eligible employees who are paid, at least, \$450 gross per month. (This threshold does not apply from 1 July 2022.)
15. Interest On Loan Funds - interest can be claimed on loans taken out for business purposes or to buy income producing properties and/or shares.
16. Repairs and Maintenance - ensure that the work has been completed prior to 30 June 2022.
17. Directors Fees - ensure cheques are drawn for payment may prior to 30 June 2022 and that the appropriate tax is deducted.
18. Travel Deductions:
 - Overseas - prepare a full itinerary and diary.
 - Local - for more than 6 nights you are required to maintain a diary.A ban on travel related tax deductions for most real estate investors now applies.
19. Motor Vehicle Expenses - there are two methods available to calculate tax deductions for work-related motor vehicle expenses:
 - Cents Per Kilometre - \$0.72 per kilometre (you can claim up to a maximum of 5,000 business kilometres per vehicle per annum.
 - Logbook Method - you can claim your actual business kilometres as a percentage of the total kilometres that the motor vehicle has travelled and then utilise that percentage as the claimable percentage of the total motor vehicle expenses incurred).
20. Donations - any promised tax deductible donations should be made prior to 30 June 2022 to claim the deduction.
21. Borrowing Costs - can be claimed over the shorter of 5 years or the term of the loan.
22. Entertainment - entertainment is not deductible unless it is provided as a fringe benefit on the Fringe Benefit Taxes that have been paid.
23. Gifts - ensure payment is made to a tax-deductible charity on or before 30 June 2022.
24. Audit Fees - deductible if there is a contract that creates a presently existing liability before 30 June 2022.
25. Salary Packages - ensure salary packages are negotiated and documented for 2022/23 prior to 30 June 2022.
26. Legal Costs - review any legal costs that have been incurred. If the legal costs relate to regular business operations (e.g. debt collection), separate those legal costs from the remaining legal costs which will relate to capital items which are not claimable for income tax purposes.
27. Luxury Car Tax - the Luxury Car Tax is 33% and applies to the GST inclusive value in excess of \$69,152 (including GST). The Luxury Car Tax for fuel efficient vehicles applies from a cost of \$79,659 (including GST). For 2022/23 the levels are: Other Vehicles \$71,849, Fuel Efficient Vehicle \$84,916.
28. Research and Development - companies that incur research and development can claim additional taxation benefits. There are 2 components:
 - Companies with turnover under \$20m (Refer to J29)
 - Companies with turnover over \$20m (Refer to J30)
29. Research and development expenditure for companies with turnovers under \$20m
A company will receive the benefit of a refundable research and development tax incentive calculated at the company's corporate tax rate plus 18.5% currently 43.5% of the eligible research and development expenditure spent during 2021/22. If the company is trading at a loss and if the rebate is less than the trading loss the rebate can be paid to the company by the Australian Taxation Office within 30 days of lodgement of the company's income tax return, if the company elects to receive this payment in the company's income tax return.
30. Research and development expenditure for companies with turnovers over \$20m
For companies with eligible research and development expenditure, the non-refundable research and development tax offset is the company's corporate tax rate plus an incremental premium.

The premium increments are based on the company's "research and development intensity." The intensity is a percentage of the company's this this eligible research and development expenditure as a proportion of the company's total expenditure for the year.

All eligible research and development expenditure up to 2% research and development intensity will receive a non-re-fundable research and development tax offset equal to the company's corporate tax rate +8.5% premium.

All eligible research and development expenditure above 2% research and development intensity will receive a non-refundable research and development tax offset of the company's corporate tax rate +16.5% premium.

Companies must register their research and development projects with AusIndustry by 30 April 2023 or the date of lodgement of the company's income tax return, whichever is the earlier.

The minimum expenditure on complying research and development activities is \$20,000 for the year irrespective of the number of projects and whether the research was successful or not so long as the records required by the legislation have been maintained.

Deductions on “Accruals” Basis:

(Subject to the income tax return being lodged on an “Accruals” Basis)

31. Fringe Benefits Tax Payment (Accruals Basis) - if a Fringe Benefit Tax instalment is due on 21 July 2022, it can be accrued and claimed as a tax deduction in the year ending 30 June 2022.
32. Commissions Owing (Accruals Basis) - where employees or another business are owed commission by your business for services rendered up to 30 June 2022, the accrued amount can be claimed as a tax deduction at 30 June 2022.
33. Bad Debts (Accruals Basis) - actually write-off any bad debts prior to 30 June 2022 and prepare minutes authorising the write off.
34. Interest (Accruals Basis) - any accrued interest outstanding on a business loan, that has not been paid at 30 June 2022, can be claimed as a tax deduction at 30 June 2022.
35. Salaries and Wages (Accruals Basis) - the accrued expense for the days that employees have worked, but not paid at 30 June 2022, can be claimed as a tax deduction at 30 June 2022.
36. Commercial Bills (Accruals Basis) - where the term of a commercial bill expires beyond 30 June 2022, the discount applicable to the period up to 30 June 2022 can be claimed as a tax deduction.
37. Rent (Accruals Basis) - if rent is in arrears, the part that is owed up to 30 June 2022 can be claimed as a tax deduction.

Stock:

38. Stock On Hand - review stocktake list in June 2022. Determine whether to conduct “sales” prior to 30 June 2022. Conduct stocktake as at 30 June 2022. If you are conducting regular “rolling” stocktakes throughout the year, it may not be necessary to conduct a stocktake as at 30 June 2022.
39. Value Of Stock - stock can be valued at different individual methods for each item of stock:
 - Cost
 - Sale Value
 - Lower of Market Value or Replacement Cost
40. Obsolete Stock - identify any obsolete stock and decide whether to clear or dump that stock prior to stocktake.

Assets:

41. Fixed Assets - determine if there are any benefits in scrapping any fixed assets to obtain the tax write off prior to 30 June 2022.

Employment / Contractor Issues:

42. Single Touch PayRoll - if you are not using Single Touch Payroll, payment summaries have to be prepared and sent to all employees by 14 July 2022.
43. PAYG Withholding Tax - if you are not using Single Touch Payroll, the annual summaries are due to be lodged with the Australian Taxation Office by 14 August 2022.
44. If you have made payments and withheld amounts from businesses which did not quote their ABN to you, the PAYG Withholding Where ABN Not Quoted Annual Report lodgement date is 31 October 2022.
45. Payroll Tax (if you are liable - this is a State/Territory government tax - if you have any questions, please contact us) - you have to prepare a reconciliation of total payroll for the year showing the total amount of payroll tax payable and then reconciled this with the remittances that you have forwarded to your State/Territory government agency during the year.
46. WorkCover - a WorkCover declaration is due by 31 August 2022 certifying wages paid for the year ending 30 June 2022

Bad Debts Recovered

47. Bad Debts Recovered (On An Accruals Basis) - if a debtor owed an amount which has been written off, subsequently pays that amount you have to bring the amount paid to account as assessable income in the year of recovery.

Income Issues:

48. Government Grants - if your business has received a grant from an Australian, State or Territory government department, other than the “cashflow boost payments”, it is most likely paid to you on the basis that it is taxable income and therefore you need to disclose the receipt of the government grant in your income tax return.
Please note: The “Job Keeper Payments” provided by the government are to be treated as taxable income by the business receiving the payments.
49. Personal Services Income - taxation laws include measures that are designed to limit the deductions available to certain contractors, whether operating as a sole trader or through a company, trust or

partnership; these are known as the “Personal Services Income (PSI) Measures”. A taxpayer, who meets certain specified tests, will be treated as carrying on a personal services business and will be able to claim a wider range of deductions. If you are operating a personal service business you need to be aware of the Australian Taxation Office’s strict approach to income retention and income splitting. If you have any questions relating to this item, please contact us.

50. Non-Commercial Losses - for a business to be commercial, under the “Non-Commercial Losses Tests”, the business needs to meet certain prescribed tests. If the tests are not met, any losses, arising from the activities, have to be carried forward as an offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2021/22.
51. Trust Distributions - the Australian Taxation Office has indicated that it will be enforcing the full measure of the law, whereby trustee distributions/resolutions have to be made by and signed 30 June each year.

K Primary Producers

(In addition to small business entities [[Section D](#)] and entities not defined as small business [[Section J](#)])

Deductions:

1. Non-Commercial Losses - for a business to be commercial, under the “non-commercial losses tests”, the business needs to meet certain prescribed tests. If the tests are not met, any losses arising from the activities have to be carried forward as an offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2021/2022.
2. Income Issues
 - Income Splitting - income splitting can be highly tax effective, especially if investments have been placed in the name of a lower income earner. This can be applicable where a spouse is not working and the income in the spouse’s name would therefore be taxed at a lower rate.
 - All income from a rental property - should be declared.

L Companies

1. Franking Account - a company’s dividend payments and franking profile should be reviewed before year-end to ensure sufficient credits are available. If you have any questions, please contact us for a review.
2. Company Loans to Shareholders – the Law requires that a loan to a shareholder is properly documented. If there is no security offered, the term of the loan should not exceed 7 years. If security is offered, the loan should not exceed 25 years. The minimum rate to be charged during 2021/22 is 4.52% (this is the rate advised by the Reserve Bank). If loans being made to shareholders haven’t been supported by a properly documented loan agreements, then the Australian Taxation Office can treat these payments as being dividends, which are assessable to the shareholder.

M Capital Gains Tax

1. Capital Gains Overview - Capital Gains Tax is only applicable once an asset is sold.
2. Matching Capital Losses and Capital Gains - capital losses are not directly deductible. Capital losses have to be offset against any capital gains generated during 2021/2022.
3. 50% Capital Gains Tax Discount - you should check your eligibility for the general 50% Capital Gains Tax discount for individuals. If you are a small business operator and are able to meet the \$6 million net value asset test or have turnover of less than \$2 million, you might be entitled to further Capital Gains Tax concessions. If you have any questions on the operation of these concessions, please contact us.
4. Consideration of Capital Gains Tax Implications - If you own a property other than your residence which could include an investment property, shares, or other investments it is a good idea to periodically give consideration to the capital gains tax that would emerge if you sold that asset and give consideration as to how the capital gains tax could be legally reduced. Please do not hesitate to contact the accountant in our organisation that you normally meet.

There is a commentary relating to this matter in Paper 012–065 – “End Of Year Tax Planning”.

5. Small Business Retirement Concession – Superannuation Contribution
Taxable Capital Gains of up to \$500,000 from active assets (defined as an asset used to carry on a

business either alone or in a partnership) used in a business can be contributed to superannuation.

6. “Wash Sales” - the Australian Taxation Office has issued a ruling that relates to “wash sales”. This is a situation where shares, in companies listed on the Stock Exchange, are sold to crystallise the capital loss and then shortly thereafter the taxpayer, or an associate of the taxpayer, purchases shares in that same corporation on the Stock Exchange.

N Reportable Payment Report

1. If you are operating the following industries, you are required to submit a Summary of Payments made during 2021/2022 to the Australian Taxation Office by 28 August 2022:
 1. Building and Construction Industries
 2. Couriers Services
 3. Cleaning Services
 4. Information Technology
 5. Road Freight
 6. Security, Investigation and Surveillance Services

O Superannuation Funds

1. Contributions to Superannuation Funds - for taxpayers with adjusted taxable income (ATI) less than \$250,000 are taxed at 15% of the contribution by the superannuation fund. But taxpayers with ATI over \$250,000 the contributions are taxed at 30%.
2. Earnings Made In A Superannuation Fund - are taxed at 15% and paid by the superannuation fund. For people 60 years or over who have started drawing a pension, payments from the superannuation fund are, in the majority of cases, tax-free.
3. Generally, monies invested in superannuation funds cannot be accessed until a person reaches their preservation age between 55 and 60 depending on when the person was born.

P Early Stage Innovation Company Report On Shares Issued

1. Companies are required to complete an Early Stage Innovation Company Report if they issue new shares to one or more investors during 2021/22 that could lead to an investor being entitled to access the Early Stage Investor Tax Incentives.
2. The report must be submitted to the Australian Taxation Office by 31 July 2022.

Q Property Investments

Deductions:

1. Interest On Investment Loans - taxpayers who have borrowed money for a non-business investment (e.g. rental property) can check with their lenders to see if they can prepay interest prior to 30 June 2022.
2. Building Allowance - the construction costs of income producing buildings may be written off at 2.5% or 4%, depending on the date of construction. Please contact us if you require additional details.
3. Depreciated Investment Property – if you own an investment property you are entitled to claim a taxation deduction for depreciation on the plant and equipment installed within that building.

In Paper 012–065 there is a comment on claiming depreciation on plant and equipment included in investment properties. Please do not hesitate to discuss this with the accountant who prepares your taxation return.

4. Property Owners Deduction -- can include real estate agents fees; building allowance; depreciation of fixtures, fittings, plant and equipment; share of depreciation of common property in a strata-titled property; repairs and maintenance; pest control; interest on monies borrowed for investment in the property; bank charges on the property bank account; cleaning; electricity; rates; land tax; insurance.
5. Travel Expenses - a ban on travel related tax deductions for most real estate investors now applies.
6. Negative Gearing - the net loss, which may include interest, borrowing costs, etc., may be deductible.

R End Of Financial Year Review

1. If you have any queries on any other items not discussed in this newsletter, or you have general matters that you would like to discuss with us relative to your taxation affairs for the year ending 30 June 2022, please contact us urgently so that a convenient time for a meeting can be arranged.

S Business Review

Now is an ideal time to talk to us about Business Development Strategies for your business in 2022/23, particularly relating to:

1. Developing a Strategic Plan to navigate the challenges of 2022/23.
2. The establishment of a series of regular monthly or quarterly business review meetings to discuss your business' performance.
3. What we could offer by performing a 'Chief Financial Officer' service for your business.
4. Reviewing your business financing position in relation to "Investment Readiness" and giving consideration to the possibility of raising capital via:
 - Crowd Sourced Funding Equity Raising; or
 - Section 708 of the *Corporations Act* capital raising; or
 - Early Stage Innovation Company Capital Raising
5. A business health check.
6. An analysis of risks relating to your business particularly a Personal Property Securities Register Due Diligence Review.
7. Cashflow including:
 - debtors
 - stock
 - work in progress
8. Business Plan development for 2022/2023.
9. Budgets & Cash Flow Forecasts for 2022/2023.
10. Setting retail prices to achieve budget targets.
11. Setting trades charge out rates to achieve budget targets.
12. Setting professional fees to achieve budget targets.
13. Accessing government grants.
14. Analysing gross profit being achieved in your business.
15. "What If" calculations relative to sales.
16. Export Market Development Grant applications.

If you would like us to undertake a business review on your business, please contact us.

If you have been undertaking research activities and you would like to be able to claim expenditure as part of the Research and Development Tax Incentive Rebate please contact us prior to 30 June 2022.

If you are contemplating undertaking research activities in the future and you would like to understand how you could qualify for the Research and Development Tax Incentive Rebate please contact us for a discussion.

T Individuals

1. Superannuation Co-Contribution - individuals with assessable income of below \$56,112 may qualify for the government co-contribution of up to \$500 if they make a non-concessional contribution of \$1,000 before 30 June 2022. To qualify for the co-contribution:
 - At least 10% of assessable income must be received from employment or a self-employment arrangement.
 - The individual must be below age 71 at the end of the financial year.
 - They must have a total superannuation balance of less than \$1.7 million on 30 June 2021 and they must lodge a tax return for the 2021/22 income year.
2. Spouse Tax Offset For Superannuation - couples with one spouse earning a low income or no income, may benefit from the spouse tax offset if the high income earner makes a spouse contribution into the low income earner's spouse's superannuation, the maximum offset that can be claimed is \$540 where the low income earner's spouse' is below \$37,000 or less. The offset reduces when the spouse's income is more than \$37,000 and phases out completely when the spouse's income reaches \$40,000.
3. Individuals Saving For Their First Home - Voluntary Superannuation Contributions - individuals saving for their first home may benefit from making voluntary contributions to superannuation before 30 June. This scheme allows first home buyers to make voluntary contributions of up to \$15,000 to superannuation per financial year while saving towards the deposit in a tax effective environment. After contributing for a couple of years, they can withdraw these contributions (up to \$30,000 per individual) and use the proceeds towards the acquisition of their first home.
4. Taxation Advice - fees payable to an accountant or registered tax agent for taxation advice can be claimed.
5. Expense Substantiation - ensure that you can justify all employment-related expense amounts

incurred.

6. Working from Home Expenses - expenses can be claimed for working from home (as distinct from having a home office) but full records need to be kept so that the claim can be substantiated. The Australian Taxation Office has issued a ruling relating to people working from home during the COVID-19 crisis. The temporary simplified method applicable, known as the "shortcut method", is \$0.80 per hour for all additional running expenses.
7. Expenses for Shareholding Investments - expenses incurred in gaining income from shares are a tax deduction.
8. Sickness and Accident Insurance - premiums for Sickness and Accident Cover are tax deductible. Payments can be made by the employer without incurring Fringe Benefits Tax.
9. Home Office Expenses - if you use an area in your home, you can claim the expenses of a home office. Items that could be claimed include:
 - electricity (proportionate)
 - rent (proportionate)
 - cleaning (proportionate)
 - repairs and maintenance for the office
 - depreciation of fixtures and fitting and plant and equipment for the home office
10. Work-Related Expenses - items such as travel (other than travel to and from work), uniforms, laundry of work clothes, subscriptions, union fees and self-education - but you must be able to substantiate your claim. There is a ban on travel related tax deductions for most real estate investors. If you have used your own motor vehicle for business related purposes you can claim motor vehicle expenses:
 - Cents per kilometre
 - Logbook method
11. End of Year Tax Schemes - the Australian Taxation Office produces product rulings on various investment products that are marketed particularly around 30 June each year. To avoid confrontation with the Australian Taxation Office, it is best to consider investing in products that have obtained a product ruling. Whilst these product rulings are not a guarantee or government endorsement on the likely success, or profitability, of the investment, you will have improved your prospects of being able to make these claims then if the product ruling had not been made. It is important that you abide by the wording within the product ruling.
12. Managed Investment Schemes - it is recommended that you have a meeting with your professional accountant prior to committing to a Managed Investment Scheme (MIS) investment.

Social Security Issues:

13. Social security recipients wishing to gift an amount or an asset within the allowable disposal amount can do so before 30 June 2022. These individuals can gift up to \$10,000 before 30 June 2022 and another \$10,000 after 1 July 2022. Subject to not exceeding \$30,000 over five financial years.
14. Individuals in receipt of government benefits can gift up to \$10,000 on a single financial year or up to \$30,000 over 5 rolling financial years. However, the amount gifted in any given financial year cannot exceed \$10,000 or the deprivation rules will be applied.

Income Issues:

15. Interest Earned - declare interest earned on bank accounts, loans, etc.
16. Employee Share Schemes - if you are a member of an employee share scheme, you should ensure that any income earned is included in your income tax return.
17. Scheme Formed After 1 July 2015 - Employee Share Scheme interests provided by eligible start-up companies will not be subject to up front taxation if the investment is held by the employee for at least three years. An eligible start-up company is one with aggregated turnover of less than \$50M unlisted and incorporated for less than ten years.
18. Scheme Formed After 1 July 2009 - the discount on Employee Share Schemes are taxed either upfront or on a deferred basis. For 'qualifying' schemes, if the employee is earning less than \$180,000 taxable income plus reportable fringe benefits, reportable superannuation contributions and total investment losses, then the employee can claim a \$1,000 exemption from the inclusion of the assessable discount.
19. Dividends, Interest, Managed Funds Distributions, etc. - the ATO matches information provided in tax returns with information received from external sources, such as public companies, banks, managed funds etc.

Offsets:

20. Zone Offset - This offset is based upon where you are considered to reside for the tax year, so your Zone Tax Offset is limited to where your main residence or home is considered to be.
21. Salary Packaging - salary packaging can assist in the minimisation of income tax, particularly in the areas of voluntary superannuation contributions and acquisition of assets that are not subject to Fringe Benefit Tax. Your employer is required to report the value of fringe benefits in your payment summary. That may have an effect on other government payments you receive.

If you have any questions relating to planning your taxation affairs at 30 June 2022, please do not hesitate to contact us.

An Important Message

While every effort has been made to provide valuable, useful information in this publication, this firm and any related suppliers or associated companies accept no responsibility or any form of liability from reliance upon or use of its contents. Any suggestions should be considered carefully within your own particular circumstances, as they are intended as general information only.

Contact us:

CMA Collins Melody

P: 03 9836 1533

E: admin@colmel.com.au

W: <http://www.cmagroup.com.au>

Ground Floor 1 Chapel Street, Blackburn, VIC, 3130