BUSINESS GROWTH HQ
Build Your Business & Grow Your Wealth



2024 END OF YEAR TAX PLANNING GUIDE

Your guide to tax planning opportunities in 2024 to legally reduce your tax and get your business and personal finances organised before the end of the financial year.

INTRO

Year End 2024 Tax Planning Guide

As we approach the end of the 2024 financial year, tax planning has never been more important. This newsletter highlights some end of year tax planning opportunities you can take advantage of to legally reduce your tax and pay no more than you are required to. We encourage you to schedule a meeting with us as early as possible to assess your tax planning options.

In this guide, you'll find a list of strategies to consider before 30 June.

To maximise your benefits, we suggest you prepare a preliminary calculation of your taxable income for the year ending 30 June 2024 to identify the size of your likely tax debt and establish if you have a tax 'problem'.

- Review all tax-deductible expenses and assessable income in the latest available figures to determine the possibility of pre-paying some expenses before 30 June or deferring some revenue until after 1 July 2024.

Please note, the following list of tax planning opportunities is not exhaustive and depending on your circumstances (including your turnover and whether you are on a cash or accruals method of accounting), some of these strategies may not apply to you.

If you would like to discuss your tax planning options, we urge you to contact us today. It's important you don't leave your tax planning to the last minute as many of these strategies require adequate time and preparation to implement!

Disclaimer: This newsletter contains general information only and no responsibility can be accepted for errors, omissions or possible misleading statements.

It is not designed to be a substitute for professional advice and does not take into account your individual circumstances. Therefore, no responsibility can be accepted for any action taken as a result of any information contained in this newsletter.

KEY TAX MINIMISATION STRATEGIES

1. Delaying Deriving Assessable Income

Delaying the timing of issuing invoices may delay the recognition of income for tax purposes. For example, issuing invoices before 30 June 2024 with the expectation that they will not be paid until July or later, thus deferring the tax payable on that income.

Please note: delaying banking amounts received before 30 June until after 30 June does not qualify because the income is deemed to have been earned when the money is received or the goods or services are provided (depending on whether you are on a cash or accruals basis of accounting).

- **Cash Basis Income:** Some income is taxable on a cash receipts basis rather than on an accruals basis (e.g. rental income or interest income in certain cases). You should consider whether some income can be deferred in those instances.
- **Lump Sum Amounts:** Where a lump sum is likely to be received close to the end of a financial year, you should consider whether this amount (or part thereof) can be delayed or spread over future income periods.

2. Bringing Forward Deductible Expenses or Losses

Prepayment of Expenses - In some circumstances, businesses and individuals who derive passive type income (such as rental income and dividends) should consider pre-paying expenses prior to 30 June 2024.

A tax deduction can be brought forward into this financial year for expenses like:

- Employee Superannuation Payments incl. the 11% Superannuation Guarantee Contributions for the June 2024 quarter (that must be received by the Superannuation Fund by 30 June 2024 to claim a tax deduction).
- Superannuation for Business Owners, Directors and Associated Persons
- Wages, Bonuses, Commissions and Allowances
- Contractor Fees
- Travel and Accommodation Expenses
- Trade Creditors
- Rent for July 2024 (and possibly future additional months)
- Insurances including Income Protection Insurance
- Printing, Stationery and Office Supplies
- Advertising including Directory Listings
- Utility Expenses - Telephone, Electricity & Power
- Motor Vehicle Expenses
- Registration and Insurance
- Accounting Fees
- Subscriptions and Memberships to Professional Associations and Trade Journals
- Repairs and Maintenance to Investment Properties
- Self Education Costs
- Home Office Expenses – desk, chair, computers etc.
- Donations to deductible gift recipient organisations
- If appropriate, consider prepaying any deductible investment loan interest. This could include interest payments on an investment loan for either an investment property or commercial property or an investment portfolio you hold.

KEY TAX MINIMISATION STRATEGIES

A deduction for prepaid expenses will generally be allowed where the payment is made before 30 June 2024 for services to be rendered within a 12-month period. While this strategy can be effective for businesses operating on a cash basis (not accruals basis), we never recommend you spend money on items you don't need. However, paying expenses in June that are due in July could save you some tax this financial year.

Capital Gains/Losses - Note that the contract date (not the settlement date) is often the key sale date for capital gains tax (CGT) purposes. When it comes to the sale of an asset that triggers a capital gain or capital loss, you need to consider your overall investment strategy when making the decision to sell.

Here are some important tax planning points to consider when selling assets:

- **Capital gains tax (CGT) discount:** When you sell or otherwise dispose of an asset, you can reduce your capital gain by 50% if you owned the asset for at least 12 months.
- **Offset a capital gain with an existing capital loss (carried forward or otherwise):** Capital losses can be deducted from capital gains to reduce your CGT.

Accounts Payable (Creditors) - If you operate on an accruals basis and services have been provided to your business, ensure that you have an invoice dated 30 June 2024 or before, so you can take up the expense in your accounts for the year ended 30 June 2024.

Businesses should also consider:

- **Stock Valuation Options** - Review your Stock on Hand and Work in Progress listings before 30 June to ensure that it is valued at the lower of Cost or Net Realisable Value. Any stock that is carried at a value higher than you could realise on sale (after all costs associated with the sale) should be written down to that Net Realisable Value in your stock records.

- **Compulsory Superannuation Guarantee** – as mentioned above, if you want a tax deduction in the 2021-24 financial year, the superannuation fund must receive the funds by 30 June 2024. The Tax Office doesn't consider a contribution to be made until the amount is actually credited to a super fund's bank account so an electronic transfer to another bank account on 30 June is not necessarily considered paid. We strongly recommend you make the payment a week or so before 30 June and then follow up with the super fund to ensure the funds have been received. Don't risk the tax deductibility of what can often be a significant amount by leaving payment to the last minute.

KEY TAX MINIMISATION STRATEGIES

- **Write-Off Bad Debts** – if you operate on an accruals basis of accounting (as distinct from a cash basis) you should write off bad debts from your debtors listing before 30 June. A bad debt is an amount that is owed to you that you consider is uncollectable or not economically feasible to pursue collection. Unless these debts are physically recorded as a 'bad debt' in your system before 30 June 2024, a deduction will not be allowable in the current financial year.

- **Repairs and Maintenance Costs** – Where possible and cash flow permits, consider bringing these repairs forward to before 30 June. If you don't understand the distinction between a repair and a capital improvement, please consult with us because some capital improvements may not be tax deductible in the current year and could be claimable over a number of years as depreciation.

- **Obsolete Plant and Equipment** should be scrapped or decommissioned prior to 30 June 2024 to enable the book value to be claimed as a tax deduction.

- **Temporary Full Expensing** allows businesses to claim an immediate deduction for the business portion of the cost of an asset in the year it is first used or installed ready for use for a taxable purpose. For the 2020-21, 2021-22, 2022-23 and 2023-2024 income years, a business can claim an immediate 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 7.30pm AEDT on 6 October 2020 and 30 June 2024
    - eligible second-hand assets for businesses with aggregated turnover under $50 million
    - eligible depreciating assets using the simplified depreciation rules (only for small businesses with aggregated turnover of less than $10 million and less than $2 million for previous income years) and the balance of their small business pool

If you are a small business entity that chooses to use the simplified depreciation rules, temporary full expensing rules apply with some modifications.

- You can't opt out of temporary full expensing for assets that the simplified depreciation rules apply to.
- You must immediately deduct the business portion of the asset's cost for assets you start to hold, and first use (or have installed ready for use) for a taxable purpose from 7.30pm (AEDT) on 6 October 2020 to 30 June 2024. You don't add these assets to your small business pool.
- You also deduct the balance of the small business pool at the end of an income year ending between 6 October 2020 and 30 June 2024.

KEY TAX MINIMISATION STRATEGIES

3. Checklist of other Year End Tax Issues

There are a number of obligations in relation to the end of the financial year including:

If you use a motor vehicle in producing income you may need to:

- Record Motor Vehicle Odometer readings at 30 June 2024.

- Prepare a logbook for 12 continuous weeks if your existing one is more than 5 years old. If you commence the logbook prior to 30 June 2024, the usage determined will still be appropriate for the whole of 2023-24. This means it's not too late to start preparing one for the current financial year. (Download the free ATO app, MyDeductions, to help with your record-keeping.)

If you have started an account-based pension: Ensure that you have withdrawn the annual minimum required.

If you are in business or earn your income through a company or trust:

- **Employer Compulsory Superannuation Obligations:** The deadline for employers to pay superannuation guarantee contributions for the 2023-24 financial year is 28 July 2024. However, if you want to claim a tax deduction in the 2023-24 financial year the super fund (or Small Business Superannuation Clearing House) must receive the contributions by 30 June 2024. You should therefore avoid making contributions at the last minute because processing delays could deny you a significant tax deduction in this financial year.

- **For Private Company - Div 7A Loans:** Business owners who have borrowed funds from their company in prior years must ensure that the appropriate principal and interest loan repayments are made by 30 June 2024. Current year loans must be either paid back in full or have a loan agreement entered into before the due date of lodgement of the company return. Failure to comply risks having it counted as an unfranked dividend in the individual's tax return.

- Preparation of **Stock Count Working Papers** at 30 June 2024.

- Preparation and reconciliation of **Employee PAYG Payment Summaries** (formerly known as Group Certificates). Note you are not required to supply your employees with payment summaries for amounts you have reported and finalised through Single Touch Payroll.

- **Trustee Resolutions:** Ensure that the trustee resolutions on how the income from the trust is distributed to the beneficiaries are prepared and signed before 30 June 2024 for all Discretionary ("Family") Trusts. If a valid resolution hasn't been executed by this date, the default beneficiaries become entitled to the trust's income and are then subject to tax. Income derived but not distributed by the trust will mean the trust will be assessed at the highest marginal rate on this income.

SUPERANNUATION & TAX PLANNING

CONCESSIONAL CONTRIBUTION CAP OF $27,500 FOR EVERYONE

The tax-deductible superannuation contribution limit or cap is $27,500 for all individuals regardless of their age for the 2023/24 financial year. This will be increased to $30,000 from the 1st July 2024.
If eligible and appropriate, consider making the most of your 2023/24 financial year annual concessional contributions cap with a concessional contribution. Note that other contributions such as employer Superannuation Guarantee Contributions (SGC) and salary sacrifice contributions will have already used up part of your concessional contributions cap.

CARRY FORWARD CONCESSIONAL CONTRIBUTIONS

If your total superannuation balance as at June 30, 2023 was less than $500,000 you may be in a position to carry-forward unused concessional caps for up to 5 years. Members can access their unused concessional contributions caps on a rolling basis for five years and amounts carried forward that have not been used after five years will expire.

The advantage of making the maximum tax-deductible superannuation contribution before June 30, 2024 is that superannuation contributions are taxed at between 15% and 30%, compared to personal tax rates of between 32.5% and 45% (plus 2% Medicare levy) for an individual taxpayer earning over $45,000.
Typically, self-employed individuals and those who earn their income primarily from passive sources like investments make their super contributions close to the end of the financial year to claim a tax deduction. However, individuals who are employees may also use this strategy and those who might want to take advantage of this opportunity.

NON -CONCESSIONAL SUPER CONTRIBUTIONS

If eligible and appropriate, consider utilising all or part of your 2023/24 financial year annual non-concessional contributions cap by making a non-concessional contribution for up to $110,000 for the 2024 financial year. This will be increased to $120,000 from 1 July 2024.

If you are not currently in a non-concessional contributions bring forward period, consider whether you may be in a position to ‘bring-forward’ your non-concessional contributions caps for the 2024/25 and 2025/26 financial years. Please speak to us if you are considering this.

SUPERANNUATION & TAX PLANNING

GOVERNMENT CO-CONTRIBUTION TO YOUR SUPERANNUATION

The Government co-contribution is designed to boost the superannuation savings of low and middle-income earners who earn at least 10% of their income from employment or running a business. If your income is within the thresholds listed in the table below and you make a 'non-concessional contribution' to your superannuation, you may be eligible for a Government co-contribution of up to $500.

To be eligible you must be under 71 years of age as at June 30, 2024. In 2023/24, the maximum co-contribution is available if you contribute $1,000 and earn $43,445 or less. A lower amount may be received if you contribute less than $1,000 and/or earn between $42,016 and $57,016.

The matching rate is 50% of your contribution and additional eligibility include:having a total superannuation balance of less than $1.9 million on 30 June of the year before the year the contributions are being made having not exceeded your non-concessional contributions cap in the relevant financial year

TRANSITION TO RETIREMENT

If you don't want to fully retire and would like to reduce your working hours you can take advantage of what is knows as 'Transition to Retirement" TTR. This means that providing you have reached your preservation age you can elect to keep working full time or part- time and take money out of your super to supplement your income. This is popular for those who want to scale down their working hours rather than retiring.

Date of Birth	**Preservation Age**
Before 1 July 1960	55
1 July1960 - 30 June 1961	56
1 July 1961 - 30 June 1962	57
1 July 1962 - 30 June 1963	58
1 July 1963 - 30 June 1964	59
1 July 1964 - 30 June 1965	60

When you are receiving a TRT pension you can still work and claim a tax deduction for concessional contributions into super currently $27,500 for the 2024 financial year, and then increasing to $30,000 from the 1st July 2024..
If you decide to implement a TTR strategy, you must withdraw a minimum amount currently 4% for someone aged 60 (based on age) from your superannuation account balance up to a maximum of 10%. .
If you are under 60 any amount you withdraw will be subject to tax at your marginal rate of tax . You will also be entitled to receive a tax rebate of 15%. After the age of 60, the good news is that any amount you withdraw is TAX FREE!

SUPERANNUATION & TAX PLANNING

Case Study 1 : Sue reduces her work hours

Sue just turned 60 and earns $50,000 a year before tax. She decides to ease into retirement by reducing her work to three days a week. This means her income will decrease to $30,000. Sue transfers $155,00, of her super to a transition to retirement pension and withdraws $9,000 each year, tax-free. This replaces some of her lost pay.

Case Study 2: Bill reduces his tax

Bill is 60 and earns $100,000 a year. He intends to keep working full-time for at least another five years. Bill transfers $200,000 from his super to an account-based pension so he can start a TTR strategy,

He salary sacrifices into his super. This will reduce his income tax, but also his take-home pay. He tops up his income by withdrawing up to 10% of his TTR pension balance each year.

As you can see the TRT strategy is very useful for people wanting to scale down their work and supplement their income by drawing from superannuation. To make sure, it's the right strategy for you.

ACCOUNTS BASED PENSIONS

f you are aged 60 + and retired or 65+ and still working , I have good news for you. There are significant tax advantages in taking an Accountants Based Pension from your super. Not only are the withdrawals you make tax- free, but also the earnings within your superannuation fund are tax-free to 1.9 million dollars.

Although you must withdraw minimum amount must be paid each year for pensions as per the table below, there are no limits on the amount you can withdraw.
The minimum amount for ages:

Under 65 is 4%
65 to 74 is 5%
75 to 79 is 6%
80 to 84 is 7%

To put in place an accounts based pension, you will need to speak to your superannuation fund provider. If you have a SMSF, then please speak with us.

SUPERANNUATION & TAX PLANNING

SELF-MANAGED SUPERANNUATION

A Self-Managed Superannuation Fund (SMSF) can provide significant tax savings but they don't suit everyone. There are significant regulations surrounding the management and administration of SMSF's. With the end of the financial year approaching, now is a good time to discuss the pros and cons of establishing your own SMSF. It might be appropriate to establish a SMSF in conjunction with other tax planning opportunities.

WRITE-OFFS

Immediate Write-Off For Individual Small Business Assets & Temporary Full Expensing

From July 1, 2023, the instant asset write-off threshold has is now a maximum of $20,000.. Conditions for accessing the $20,000 instant asset write-off threshold for small business entities in the 2024 income year include:

- It only relates to Plant, Equipment and Vehicles. It does NOT relate to Capital improvements to buildings.
- The items can be new or second hand. You can have paid cash or they can be financed.
- The entity must operate a business during the 2024 income year.
- Its aggregated annual turnover must be under $10 million, based on either the current or previous year's figures.
- Choosing to apply the simplified depreciation rules for the 2024 income year is necessary.
- The asset's cost must be less than $20,000.
- The asset must be first used, or installed and ready for use, for a taxable purpose between July 1, 2023, and June 30, 2024.

It's crucial to understand that if a small business entity opts out of applying the simplified depreciation rules for the 2024 income year, they won't have access to the instant asset write-off rules, regardless of meeting other basic conditions.

The instant asset write-off threshold applies per asset, allowing small business entities to potentially deduct the full cost of multiple assets throughout the 2024 year, provided each asset's cost is less than $20,000. Additionally, the $20,000 threshold applies to determining whether the full pool balance is written off in the 2024 income year.

Eligible assets for the instant asset write-off rules are those falling within the depreciation provisions. Capital improvements to buildings under the capital works rules are excluded. Assets costing $20,000 or more, which cannot be immediately deducted, can still be included in the small business general pool and depreciated at 15% in the first income year and 30% in subsequent income years.

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Get in touch with us today to book your 2024 Tax Planning session.

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