

**OUR PHILOSOPHY:** Grow our client's business first. It is only through our client's success that we succeed.

**BANYAN CONSULTING**

## Client Information Newsletter – Tax Planning – June 2022

### Your Newsletter

**June 2022**

We are here to help, contact us today:

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### General Year End Tax Planning Strategies

#### Business Income and Expenses

Subject to cash flow requirements, consider deferring income until after 30 June, especially if you expect lower income for 2022/23 compared to 2021/22.

Most businesses are taxed on income when it is invoiced. Some small businesses may only be taxed when income is received. Income from construction contracts is generally taxed when progress payments are invoiced or received.

Ensure that you have complied with the requirements to claim deductions in 2021/22:

- Bad debts must be written off in your accounts before 30 June.
- Employer or self-employed superannuation contributions must be paid to, and received by, the super fund before 30 June and must be within the contributions cap (from 1 July 2021, \$27,500 for all individuals regardless of age).
- Depreciation can be claimed for assets first used, or installed ready for use, before 30 June.
- Small businesses (turnover less than \$10m), can claim expenses prepaid up to 12 months in advance – for larger businesses, this is generally limited to expenses below \$1,000.
- Wages paid to your spouse or family members must be reasonable for the work performed.

***“The Temporary Full Expensing of Assets and Temporary Loss Carry-Back measures have been extended by 12 months until 30 June 2023.”***

#### Income Tax Changes for 2021/2022

Several tax changes apply in the 2021/22 income year. A brief summary is provided in this newsletter.

There may be some advantages in acting on some of these items before 30 June.

If you think any of these changes may affect you, please contact us for more details.

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#### About this newsletter

Welcome to Banyan Consulting's client information newsletter, your monthly tax and super update keeping you on top of the issues, news and changes you need to know.

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically based on this information alone. If expert assistance is required, professional advice should be obtained. We are here to help, contact us today:

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Small businesses planning major purchases or replacement of capital equipment should contact us for advice. Careful timing of those transactions can result in substantial tax savings.

Scrap any obsolete item in the asset register before 30 June. Consider delaying the sale of assets that will realise a profit on sale and bring forward any sales that will result in a loss.

Review valuations of trading stock in the lead up to 30 June. The best practice is generally to value stock at the lower of cost or market selling value.

These best practices should be revised if you expect a tax loss for 2021/22 or substantially higher income in 2022/23 compared to 2021/22.



### **Personal Income, Deductions and Tax Offsets**

Subject to cash flow requirements, set term deposits to mature after 1 July, rather than before 30 June.

Consider realising capital losses if you have already realised capital gains on other assets during 2021/22.

Conversely, consider realising capital gains if you have unrecouped capital losses, or you expect substantially higher income in 2022/23 compared to 2021/22.

If you expect lower income in 2022/23 due to retirement or any other reason, consider deferring income until after 1 July, when you will be in a lower tax bracket. If you are a primary producer and you expect a permanent reduction in income, consider withdrawing from the income averaging system.

Arrange for deductible donations to be grouped in the higher income year if you expect a substantially higher or lower income in 2022/2023 compared to 2021/22. Make all donations in the name of the higher income earner.

### **Other Tax Planning Considerations**

Contact us for advice if you have moved to or from Australia for an extended period. You may need to review your residency status for tax purposes. There are important tax consequences if you change tax residency.

Trustees of trusts should ensure that all necessary documentation is completed before 30 June, especially where you intend to stream capital gains or franked distributions to specific beneficiaries or have beneficiaries who aren't the default beneficiaries.

Family discretionary trusts may need to make a family trust election if the trust has unrecouped losses or has beneficiaries whose total franking credits for the year may exceed \$5,000.

Be sceptical of year-end tax shelter schemes. You should not enter a scheme without advice regarding both its tax consequences and commercial viability.

## Single Touch Payroll

From 1 July 2021, Single Touch Payroll reporting is required for closely held payees. A closely held payee is one who is directly related to the entity from which they receive payments, for example:

- Family members of a family business;
- Directors or shareholders of a company;
- Beneficiaries of a trust.

## Income Tax Changes – Small Businesses

### Tax Rate

For the 2021/22 year, the reduced corporate tax rate has been reduced to **25%**, down from 26%. Eligibility for the reduced corporate tax rate remains unchanged and applies to base rate entity companies with an aggregated turnover of less than \$50m.

### Small Business Income Tax Offset

The small business income tax offset for the 2021/22 year has been increased to 16%, up from 13%. The tax offset is a 16% discount of the income tax payable on the business income received from a small business entity (other than a company) with an aggregated turnover of less than \$5m, up to a maximum of \$1,000 a year.

### Expanded access to small business concessions

More businesses may now be eligible for most small business tax concessions.

From 1 July 2021, businesses that are not small businesses because their turnover is \$10 million or more but less than \$50 million can also access these small business concessions:

- simplified trading stock rules; and
- PAYG instalments concession; and
- a two-year amendment period; and
- excise concession.

### Temporary Full Expensing of Assets – Extension to 30 June 2023

The temporary full expensing of depreciating assets measure has been extended by 12 months until 30 June 2023. From 7.30 pm AEDT on 6 October 2020 until 30 June 2023 the temporary full expensing allows:

- Eligible business entities with an aggregated turnover less than \$5 billion or corporate tax entities that satisfy the alternative test can immediately expense the cost of eligible **new** depreciating assets.
- Eligible businesses with an aggregated turnover under \$50 million can immediately expense the business portion of the cost of eligible **second-hand** assets for
- Businesses with an aggregated turnover under \$10 million can immediately expense the balance of a small business pool at the end of each income year in the period.

### Temporary Loss Carry-Back – Extension to 30 June 2023

The temporary loss carry-back measure has been extended by 12 months until 30 June 2023.

- Eligible corporate tax entities with 'aggregated turnover' of up to \$5 billion can elect to 'carry back' a tax loss incurred in the 2019-20 to 2022-23 income years and offset it against the income of the 2018-19 or later years to generate a refundable tax offset.
- The loss carry-back provision only applies to taxable losses, not capital losses and is limited to the corporate entity's income tax liabilities in the relevant income year and the company's franking account balance at the end of the current year.

## Income Tax Changes – Individuals



### **Low Income Tax Offset**

The low income tax offset (LITO) will continue to apply for the 2021-22 income year. Australian tax resident individuals whose income does not exceed \$66,667 are entitled to the low income tax offset. The maximum low income tax offset is \$700 for the 2021–22 income year.

### **Low and Middle Income Tax Offset**

The Government announced in the 2021-22 Federal Budget that the Low and Middle Income Tax Offset (LMITO) will continue to be available for the 2021-22 income year. Australian resident individuals whose income does not exceed \$126,00 are entitled to the low and middle income tax offset. The low and middle income tax offset amount is between \$255 and \$1,080.

### **Work from Home Temporary Shortcut Method**

The temporary shortcut method to calculate your deduction for working from home expenses has been extended for the 2021-22 income year.

Using this method you can claim 80 cents per hour you work from home to cover expenses such as phone expenses, internet expenses, decline in value of equipment and furniture, electricity and gas for heating, cooling and lighting. You cannot claim any other expenses for working from home, even if you bought new equipment.

### **Amounts you do and do not need to include in your tax return**

There have been a range of COVID-19 assistance and support payments made available to individuals during the 2021-22 income year such as the COVID-19 Disaster Payment and the Pandemic Leave Disaster Payment. There are specific tax implications for these, please contact us for advice regarding these payments.

General speaking, emergency assistance in the form of gifts from family and friends is not taxable.



## Superannuation Changes

### Superannuation Changes

There are a number of superannuation measures that were proposed in the 2020 Federal Budget that come into effect on 1 July 2021:

- Concessional (before-tax) contributions cap to increase from \$25,000 to \$27,500
- Non-concessional (after-tax) contributions cap to increase from \$100,000 to \$110,000
- General transfer balance cap to increase from \$1.6 million to \$1.7 million.

### Reducing Superannuation Minimum Drawdown Rates

The 50% reduction in the minimum pension drawdown requirements remain for the 2021–22 income year, to support retirees with account-based pensions and similar products from having to sell investment assets in their self-managed super funds (SMSF) to fund minimum drawdown requirements.

## Capital Gains Tax

### Exempting Granny Flat Arrangements

From 1 July 2021, a targeted capital gains tax (CGT) exemption will be provided for granny flat arrangements where there is a formal written agreement.

The exemption will apply to arrangements with older Australians or those with a disability.

### Small Business CGT Concessions

Be aware of the additional basic condition for the small business CGT concessions if the CGT asset is a share in a company or interest in a trust.

## Fringe Benefits Tax

### FBT Rates & Thresholds for 31 March 2022

- FBT rate remains at 47%

- Record keeping exemption threshold increased to \$8,923
- Car parking threshold increased to \$9.25
- Statutory or benchmark interest rate decreased to 4.52%
- Small business turnover threshold for FBT concessions is \$50 million

### Car Parking

The ATO has released an update to broaden the definition of what constitutes a commercial parking station which could potentially increase the FBT liability of some businesses. Car parks such as shopping centres, hospitals, hotels and the like that were previously not considered commercial for the threshold and valuation tests may now fall within the new definition.

If you are not sure whether your business is eligible for car parking FBT exemption or is potentially affected by the new definition of a commercial car park, please contact our office for advice.

**Please contact us to discuss any of these items that may impact your tax position for the 2021/22 year.**

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