

Dear Clients,

It's that time of year again where we share some thoughts on all things tax as 30 June fast approaches.

We hope that this newsletter finds you well and weathering the cold start to winter, wherever you may be.

In this ever busy and turbulent world, we take the opportunity to thank you again for your support in 2023 and we are looking forward to working with you again in the next 12 months.

Please, as always, let us know if you have any questions.

Best wishes and kind regards,

GSC Accountants Pty Ltd



BUDGET 2023

Here is a quick review of Budget 2023

- ✓ Medicare levy low income thresholds will increase.
- ✓ Small businesses will be able to access a \$20,000 instant asset write off for 1 July 2023 to 30 June 2024 an increase on the standard threshold of \$1,000.
- ✓ Businesses with a turnover of less than \$50M will be able to access an additional 20% deduction for depreciating assets that support more efficient use of energy.
- ✓ From 1 July 2026 employer superannuation will be required to be paid on the same day as pay day.

SUPERANNUATION BALANCES ABOVE \$3MILLION

Earlier this year, the Government announced it's intention to increase the tax rate on superannuation earnings for those with balances over \$3 million with the intention to make the superannuation system more sustainable. We note though that this is still in consultation phase and legislation is yet to be released. Should legislation be passed, we will contact any affected clients closer to the time to discuss the best course of action.

WHAT TO LOOK OUT FOR THIS UPCOMING TAX SEASON

- ✓ For business, temporary full expensing of depreciating assets will cease on 30 June 2023. The asset must be installed ready for use to be eligible for the full deduction.
- ✓ Business clients that employ staff, the Superannuation Guarantee rate increases to 11% from 1 July 2023.
- ✓ Things that need to be reviewed before 30 June:
 1. Check your accounts receivable listing for any bad debts that should be written off.
 2. Please conduct stock takes before 30 June to ensure that you are carrying correct stock values.
 3. Review your asset listing for scrapped or obsolete items that can be written off.
 4. Superannuation contributions are only deductible when paid AND received by the superannuation fund. Processing of super contributions, including through a clearing house, can take over 7 days to process. Employers, please ensure that contributions are paid as early as possible to ensure they are received by the fund before 30 June. When in doubt regarding the processing time, contact the clearing house who will be able to advise of the cut-off date.
 5. Income is not assessable until it is either invoiced or received in cash depending on whether your accounting basis method is cash or accrual. The timing of income can have a large impact on your tax result for the year.
 6. Small business entities can claim a deduction for prepaid expenses so long as they are provided within the next 12 months.
 7. Companies - Please ensure that all division 7A repayments are made before 30 June.
 8. Employers – ensure that Single Touch Payroll is finalised before 14 July.
 9. Trusts – we will forward trust distribution resolutions shortly. Please ensure they are signed before 30 June. Consider what each beneficiary was actually distributed in funds when deciding especially adult children in light of the ATO guidance on s100A and reimbursement agreements. You don't want the ATO to disregard the distribution and assess the trustee at the highest marginal rate.
- ✓ SMSF clients - please ensure that you have withdrawn your minimum pension for 2023 well before 30 June 2023. There has currently been no announcement with regards to drawdown relief for 2023/2024 financial year.
- ✓ Superannuation & Division 293 tax – be aware that superannuation contributions are effectively taxed at 30% (15% top up) where an individual's income is over the \$250,000 threshold. You can apply to have this released and paid by your super fund to assist with cashflow.

THINGS TO CONSIDER

Tax minimisation is a legitimate part of building and maintaining wealth and helping cashflow, not an end in itself.

- ✓ Saving tax only makes sense if we are making a genuine investment or a future cost saving. Remember spending \$2 just to save \$1 does not make sense.
- ✓ Tax structuring is best effective when you are on or near top marginal tax rates.
- ✓ The tax planning process is about more than just minimising tax. Other valuable facets of the tax planning process involve:
 - Understanding what your potential tax costs will be early on to allow you to properly plan your cashflow.
 - Understanding the essential steps needed to meet regulatory requirements and minimise the risk of penalties or other adverse outcomes.
 - Identifying and addressing potential audit triggers and areas of scrutiny by the ATO.
 - Reviewing your structure to ensure it best suits your goals and needs.

ATO FOCUS AREAS 2024

The ATO has released the areas it will be concentrating its audit and compliance activities on this upcoming year.

- ✓ Work Related Deductions – specifically working from home deductions (refer below).
- ✓ Rental Properties – Especially repairs and maintenance expenditure and interest deductions for mixed use loans. Refer to the ATO's 2023 tax time toolkit for investors which has a detailed section on rental properties. [2023 Tax Time toolkit for investors \(ato.gov.au\)](https://ato.gov.au/2023-Tax-Time-toolkit-for-investors)
- ✓ Rental Properties – holiday homes and partial rental eg AirBNB.
- ✓ Capital Gains Tax – data matching will be increased to ensure all events are declared.
- ✓ Paying employer superannuation contributions late ie superannuation guarantee charge
- ✓ Division 7A & private use of company assets.
- ✓ The cash economy and hidden income. Please be aware that the ATO data matching programs are ever expanding and they receive information from more places than ever before including cryptocurrencies. [Tax-smart tips for crypto asset investments \(ato.gov.au\)](https://ato.gov.au/Tax-smart-tips-for-crypto-asset-investments)

HOME OFFICE EXPENSES

Shortcut methods for claiming working from home expenses ended on 30 June 2022. The ATO has introduced new rules which we summarise below. For more detail, refer to the ATO guide. [Tax time 2023 - Working from home deduction \(ato.gov.au\)](https://ato.gov.au/Tax-time-2023-Working-from-home-deduction)

- ✓ The fixed rate method has been revised to 67c for each hour you work from home (WFH). This includes internet, phone, electricity, stationery and computer consumables.
- ✓ You will be able to claim a decline in value (depreciation) deduction for any equipment purchased to WFH.
- ✓ You must keep a record of each day worked at home. To this end, we have also attached a financial year calendar. We will require anyone making a WFH deduction to circle the days they worked from home and write the total hours worked so we can include an accurate claim in your return. Especially in light of the ATO compliance focus.
- ✓ You are also able to use the actual cost method which requires you to keep detailed records of all expenses and must be accompanied with a 4 week 'logbook' for expenses such as mobile phone and internet to evidence the percentage claimed.

ATO OCCUPATION GUIDES

The ATO has several guides to assist certain occupations with ensure that lodge accurate tax returns. You may wish to have a quick look and see if your occupation is covered and discuss any questions you might have.

[Occupation and industry specific guides | Australian Taxation Office \(ato.gov.au\)](https://ato.gov.au/occupation-and-industry-specific-guides)

SUBSTANTIATION

The onus is on you as the taxpayer to keep all documentation regarding your tax affairs. Please ensure that you have supporting evidence for all your income and expenses and that you keep these records for the requisite period. In most cases 5 years from the date of your assessment notice. Records can be kept electronically or paper format. Electronically, there are many apps to assist, or you can simply use a cloud folder. For those in business, most accounting software have inbuilt document storage.

Important: A bank or credit card statement is generally NOT sufficient evidence in case of an audit. You should keep all accompanying receipts even for minor expenses like staff amenities and petrol.

Logbooks: For motor vehicles, please review your current logbook and ensure that it is not older than 5 years and reflects your current business usage.

There are logbook apps for motor vehicles that might be of assistance with this, or you are still able purchase a physical logbook. For those claiming motor vehicle expenses using the cents per KM method, the ATO has an app that can be used, where the data can then be exported and forwarded to us to use to prepare your tax return. Check the Google Play or Apple App Store.

[Records you need to keep | Australian Taxation Office \(ato.gov.au\)](https://ato.gov.au/records-you-need-to-keep)

AUDIT INSURANCE

We offer a service where you can elect to take out insurance to cover additional accounting fees incurred in the event of an audit by various government departments, including the ATO. Renewals will be sent shortly to those who have previously participated. If you do not currently participate and would like to be included, please contact the office.

[Tax Audit Insurance](#) | [Accountancy Insurance](#)

PARKING AT OUR OFFICE

We have noted that parking has become quite problematic in Walker Street and only seems to be getting worse. If you are coming to meet us at the office, please drive up the driveway and park at the top, regardless of if there are cars in the top spaces. They are just our internal spots.

CONTACT US

4B Walker Street, Bowral
NSW 2576

Ph 02 4861 4988

glenn@gscaccountants.com.au

or

sonia@gscaccountants.com.au



Liability limited by a scheme approved under Professional Standards Legislation

Thinking of changing your car? Did you know that electric vehicles are exempt from FBT in companies and trusts from 1 July 2022 where they are below the luxury car threshold for fuel efficient vehicles.

Capital Gains Tax: You are required to keep the records in relation to purchase, improvements & sale for the whole period of ownership and for the requisite period after their sale. It is therefore very important you maintain a capital gains tax register to assist with this. We find that it is all too common among deceased estates that this is not done. It becomes a costly exercise to recreate these records and, in some cases, cannot even be done. We are more than happy to maintain these on your behalf whether it is shares, property or anything else as we have specialised software that can assist.

PAY AS YOU GO (PAYG) INSTALMENTS

We are asked many questions about PAYG Instalments and how they work. Very simply, PAYG Instalments (which differ from PAYG Withholding – the tax withheld from wages) are instalments made toward your year end tax liability on business and investment income which typically has no tax withheld. The idea being that your tax return should come out roughly even.

We understand that the system is flawed in that it uses the previous years' data to determine the instalment amount however variations to the instalments can be made. They should only take place, where you have sufficient reason (better yet evidence) to believe that your income will be significantly changed. Just as we can vary down, we can also vary up to assist with smoothing out tax liabilities.

[Starting PAYG instalments](#) | [Australian Taxation Office \(ato.gov.au\)](#)

HOUSE KEEPING MATTERS

ATO CORRESPONDENCE

Last year we implemented a system called ATO Smart Docs to send you all your Tax Office securely as it uses 2FA. It however has had mixed results and so we have decided to cease it's use as of 30 June 2023. We cannot go back to emailing notices as it is not secure and your data security is of utmost importance. As most correspondence from the ATO is routine, we have made the decision to transition all mailing preferences to you as the client. We will change the postal address with the ATO to be your postal address and where you have a MyGov account, it will be sent electronically there. We note that we will still have access to it. If you find anything that doesn't make sense or you feel is incorrect, please contact the office and we will look it into for you.

ENGAGEMENT LETTERS

Our professional body requires us to regularly update our terms of engagement with you to ensure clarity and transparency. We will be updating these for ALL clients for 2023/2024 and asking you to sign these before we undertake any work.

QUICK REFERENCE GUIDE

Please refer to our quick reference guide for tax rates and other relevant information.

