WALSHS

Grow, protect and manage your wealth

Tax Planning May 2023

By: Walshs CEO, Michael Walsh

Getting you ready for EOFY!

With the end of the financial year fast approaching, now is the time to turn your mind to tax planning. Acting before the year-end allows ample time to implement tax-saving strategies, such as deferring income or accelerating expenses and helps you to stay compliant, avoid penalties, and maintain a healthy cash flow. Here we have outlined some important considerations for you for 2023.

Federal Budget May 2023

Small Business

- The current 100% instant asset write-off for new and second-hand assets (unlimited $ cost) acquired by businesses with turnover less than $10 million will expire on 30 June 2023. As from 1 July 2023 to 30 June 2024 the cost threshold will be limited to $20,000 per item. Assets costing $20,000 or more can continue to be depreciated at 15% in the first year and 30% thereafter. **Year-end strategy** – if possible, acquire the business asset(s) before 30 June 2023, noting that the asset must be installed and ready for use by 30 June 2023.
- Small business energy incentive: businesses with annual turnover of less than $50 million will be entitled to an additional 20% tax deduction on spending that supports electrification and more efficient use of energy. Up to $100,000 of this expenditure will be eligible for the additional 20% tax deduction, providing a tax benefit up to $20,000. Eligible asserts or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. This new incentive will help eligible businesses to convert to electric heating and cooling systems, upgrade to more efficient fridges and induction cooktops and install batteries and heat pumps. Certain exclusions will apply, including expenditure on electric vehicles, renewable electricity generation assets, capital works and assets not connected to the electric grid that use fossil fuels.
- FBT exemption for eligible plug-in hybrid electric cars will terminate from 1 April 2025.
- Workforce participation incentive measures to support pensioners who want to enter the workforce or work more hours will be extended to 31 December 2023. Under this measure, pensioners can earn up to $11,800 per annum before their age pension is reduced.
- Small businesses will receive a $325 Commonwealth rebate to reduce the cost of their electricity bills. The Federal government is negotiating with the States and Territories to match the contribution taking the total relief to $650.

ATO amending income tax returns/assessments- the time period for the ATO to amend has been increased from 2 to 4 years.

From 1 July 2023 *parental leave pay* and *Dad and Partner Pay* will be combined into a single 20-week payment. This is set to be increased to 26 weeks by 2026.

Superannuation

- From 1 July 2025 superannuation earnings tax concessions will be reduced for individuals with total superannuation balances in excess of $3 million – earnings on balances exceeding $3 million will incur a higher concessional tax rate of 30% (up from 15%) on the earnings on balances exceeding $3 million. Earnings related to assets below the $3 million threshold will continue to be taxed at 15% or zero if held in a retirement pension account. This change in policy is yet to be legislated.
- Superannuation guarantee contribution rate increases from 10.5% to 11.0% as from 1 July 2023. **Year-end strategy:** pay the June 2023 employee contributions before 30 June 2023.
- From 1 July 2026 employers will be required to pay employees' superannuation guarantee contributions at the same time as they pay their salary and wages (rather than quarterly).

Year End Tax Planning

As 30 June fast approaches set out below are a few strategies and admin issues to consider:

- Superannuation contributions - the maximum allowable tax-deductible superannuation contribution per person for 2022-2023 is $27,500 (incl. employer and personal contributions). Therefore, if your employer superannuation contributions are below $27,500 you can top up to the maximum amount by making personal contributions.
- Catch-up super contributions - if your total superannuation balance is less than $500,000 then you can make additional tax-deductible contributions beyond the annual cap of $27,500 if you did not fully utilise your available caps in prior years commencing from 2018-2019. This strategy can be advantageous for anyone on maternity or sick leave during that period.
- Instant asset write-off – last chance for the "big" tax deduction - up to 30 June 2023 there is no $ limit to the cost of a business asset purchased to be entitled to the 100% instant tax deduction. Note: motor vehicles have a cost limit of $64,741. The 100% tax deduction ceases on 30 June 2023 and as from 1 July 2023 the maximum tax deduction per asset will be $20,000.

Other year-end tax strategies before 30 June:

- Defer receipt of income to next year.
- Prepay expenses – businesses expenses, income protection insurance, self-education expenses.
- Write off bad debts and obsolete stock.
- If you have derived any taxable capital gains during the year, consider selling loss-making assets to offset the gains.
- Investment property(s) - prepay repairs, insurance and make sure you have a depreciation report.
- Pay staff bonuses and superannuation guarantee.

For more information or to discuss your specific circumstances, please do not hesitate to contact our offices on enquiries@walshs.com.au, 3221 5677 or *book a meeting here*.