AUTUMN 2023

IN THIS ISSUE:

- No More Shortcuts For WFH Deductions
- The Clock's Ticking On Some Much-Used Tax Deductions
- Don't Forget To Do These Critical Things For Super!
- Why Should You Start Your Pension On The 1st July 2023?
- And more...

We Are Here To Help

This guide is merely meant to provide you with a starting point for identifying the areas that might have a significant impact on your personal and business planning. We're always glad to consult with you on such matters and advise in any way that we can.

YEAR END STRATEGIES

THE 2023/2024 TAX GUIDE FOR YOU AND YOUR BUSINESS

Your Business's EOFY Checklist

If you fail to plan, you plan to fail. Ensuring that your business is prepared at the end of the financial year for the next year is critical to ensuring its viability.

With a new financial year comes key opportunities for your business to re-strategise and plan for the year ahead, taking into account the events and flow of the previous.

Use our end of financial year checklist to help your business get prepared for the 30th of June.

Have You Completed Your Obligations As A Business Owner?

These might include:

- Collating a summary of your income and expenses in a profit and loss statement
- Conducting a stocktake
- Summaries of your record of debtors and creditors
- Collating records of asset purchases or expenditure on improvements (to calculate depreciation expense claims and for capital gains tax)
- Completing and lodging your income tax returns
- Lodging yearly reports or returns for different tax types such as:
  - » pay as you go (PAYG) withholding, including finalising income statements for Single Touch Payroll

(cont. p2)

LEE & LEE ACCOUNTANTS

HEAD OFFICE: HYPER CENTRE
SUITE 5, GROUND FLOOR 50-56
SANDERS STREET
UPPER MT GRAVATT
QLD 4122

TEL (07) 3103 8551
FAX (07) 3349 8208

EMAIL
info@leeandlee.com.au

WEBSITE
www.leeandlee.com.au

PARTNERS
Tony Lee
Peter Lee

SERVICES
Property Tax Specialists
Accounting and Taxation
SMSF Property Specialists
Self Managed Super Funds
Wealth Building and Strategy
Business and Property Structuring Advice

- » fringe benefits tax (FBT)
- » goods and services tax (GST).
- Meeting superannuation requirements
- Making digital copies of any paper records and backing them up (records must be kept for up to 5 years).

What Tax Deductions & Concessions Can You Claim?

You can claim deductions for most business expenses as long as they relate directly to earning your income and you have records to prove the expenses. Consider planning for the end of the year by writing off any bad debtors or assets before the financial year ends to claim a tax deduction. Consulting with your accountant can assist in this process, and illuminate your eligibility for other concessions and offsets.

Review Your Finances

Understand your business's current financial position by taking the time to review the finances or by consulting with your accountant or bookkeeper about them. Examine whether the targets set out in the previous year were achieved and what could be done differently in the year ahead.

Review Your Business & Marketing Plans

A business plan needs to be regularly reviewed, as some elements may need to be updated. The same can be done with marketing plans, as aspects of marketing are in continual evolution.

What worked one year may not work for another. Regularly reviewing and updating your plans will help you to:

- remember your goals and priorities
- assess whether your strategies are working
- adapt to any changes in your environment
- make the most of new opportunities as they come your way
- prioritise and maximise your effort (work smarter, not harder).

Review Your Business Structure

- As your business grows and expands, you may decide to change your business structure, or to restructure your business. The compliance and taxation regulations differ depending on your business structure. Consult with your business adviser for more information about what suits your circumstances best.

Remember, We Are Here To Help

This checklist is merely meant to provide you with a starting point for identifying the areas that might significantly impact your business planning. We're always glad to consult with you on such matters and advise you in any way we can.

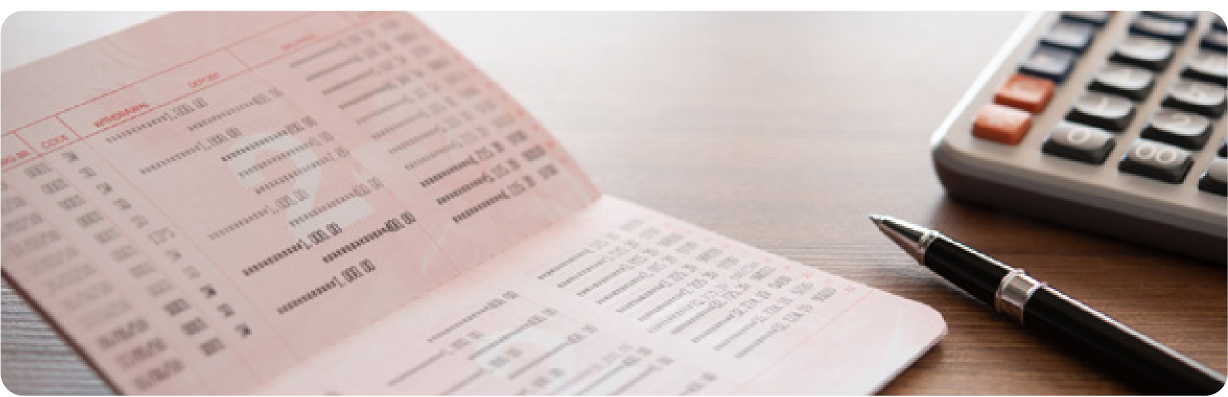
Don't Forget To Do These Critical Things For Super!

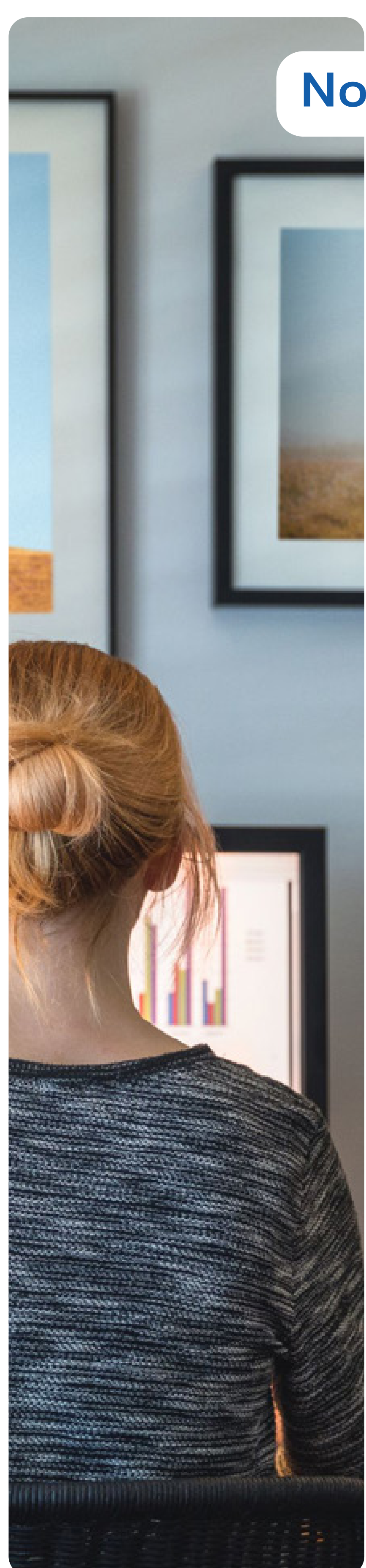
Small Business Super Clearing House Deadlines

In order to qualify for a tax deduction for the 2022-23 financial year, Super Guarantee contributions must be paid by 30th June 2023. Some clearing houses can take over a week to submit the payment to the super fund, but the fund must receive the contribution before the deadline. To keep on top, the best practice may be to pay before 20th June (to allow extra time for the clearing houses to process the payment). Payments may take up to 7 business days to be transferred through the ATO and super fund before they reach the employee's super fund account. Leave enough time for your SG payments to reach the super fund and allow for their processing timeframes.

Depositing Contributions For Your SMSF

Any contributions that have been recorded for your SMSF need to be deposited into the fund's bank account by no later than 30 June. This is especially important where members have reported concessional or non-concessional contributions on their tax returns. But remember that you can't claim the tax deduction until you have lodged your notice of intent to claim a tax deduction and have received an acknowledgement back from the fund. No early lodgements if you have made a contribution to super.





No More Shortcuts For WFH Deductions

There are no more shortcuts when it comes to claiming your work-related expenses this financial year! The popular 'shortcut' method is no longer available to be used for the 2022-23 tax returns.

Through this method, individuals could claim a fixed rate of $0.80 per hour worked from home, with the aforementioned shortcut method covering expenses such as phone, internet, and depreciation on furniture & equipment. If this shortcut method was employed, no other costs could be claimed for working from home.

Remember that for the 2022-23 financial year, **you must claim any work expenses through the revised fixed rate or actual cost methods**, not the shortcut method.

THE REVISED FIXED RATE METHOD

The fixed method has increased from 52 cents per hour to 67 cents per hour.

You can claim 67 cents per hour you work from home during the relevant income year. The rate includes the additional running expenses you incur for:

- home and mobile internet or data expenses
- mobile and home phone usage expenses
- electricity and gas (energy expenses) for heating, cooling and lighting
- stationery and computer consumables, such as printer ink and paper.

The rate per work hour (67 cents) includes the total deductible expenses for the above additional running expenses. You can't claim an additional separate deduction for these expenses using this method.

What Records Do I Need?

You no longer need a dedicated workspace at home, but you must have a representative four-week diary of the hours worked from home between 1 July 2022 to 28 February 2023.

Many taxpayers will already have kept records, but if you haven't, one way to do this would be to look back over your diaries for the past four weeks.

You may also be able to use similar records as evidence as long as they represent the hours they worked from home during those eight months.

From 1st March 2023, the record-keeping requirement has changed again, and you will be required to record all your hours worked from home in a diary or some other format as they occur. This can be in the form of timesheets, diaries, time recording apps, or any other similar document, provided it is kept as they occur.

How Does The Fixed Rate Method Work?

To use the revised fixed rate method, you must:

- incur additional running expenses as a result of working from home
- have a record of the total number of hours you work from home and the expenses you incur while working at home
- have records for expenses the fixed rate per work hour doesn't cover and that show the work-related portion of those expenses.

THE ACTUAL COST METHOD

Using the actual costs method, you work out your deduction by calculating the actual additional expenses you incur when working from home. This includes expenses you incur for:

- the decline in value of depreciating assets – for example, home office furniture (desk, chair) and furnishings, phones and computers, laptops or similar devices.
- electricity and gas (energy expenses) for heating, cooling and lighting
- home and mobile phone, data and internet expenses
- stationery and computer consumables, such as printer ink and paper

- cleaning your dedicated home office.

What Records Do I Need?

To claim your work from home expenses using actual costs, you must keep:

- either a record showing
- the number of actual hours you work from home during the entire income year – for example, a timesheet or spreadsheet
- a continuous 4-week period that represents your usual pattern of working at home – for example, a diary.
- You must also keep records that show:
- the additional running expenses you incurred while working from home, such as receipts, bills and other documents
- how you worked out the amount of your deduction.

How Does The Actual Cost Method Work?

To use the actual cost method to claim actual expenses, you must:

- incur additional running expenses as a result of working from home
- keep records or other written evidence, which shows the amount:
- you spend on expenses
- you spend on depreciating assets you buy and use while working from home
- of work-related use for your expenses and depreciating assets.

Where you incur running expenses for both private and work purposes, you need to apportion your deduction. You can only claim the work-related portion as a deduction.

Australians must know their entitlements and tax deductions when working from home/remotely.

Make sure to consult with your tax adviser regarding concessions, deductions and offsets for your tax return, as they may be able to advise you on what you may be eligible for this year.

The Clock's Ticking On Some Much-Used Tax Deductions

Tax deductions introduced by the Australian Taxation Office to lessen the impact of COVID-19 are approaching the end of their eligible timeframe.

As your tax return for 2022-23 is likely to be different from the previous year due to expiring offsets, revised methods of deduction and more, make sure you take advantage of them before they're gone (if you're eligible for them, of course).

It's essential that any work-related or business-related tax deductions are correctly calculated, and claimed and that due process is followed.

To ensure that this year's tax return is filed correctly, the following offsets and deductions will no longer be available from 30 June 2023 or may be treated differently in the 2023-24 financial year.

Temporary Full-Expensing

Eligible businesses with an aggregated turnover of less than $5 billion or corporate tax entities that meet an alternative $5 billion total income test are able to use the temporary full-expensing measure. This will allow them to deduct the full cost of eligible depreciating assets acquired from 6 October 2020 and first used or installed ready for use by 30 June 2023.

The deadline for this offset is 30 June 2023 (meaning it can be used for the 2022-23 financial year). Unless extended, this will be the last time this can be used for your business in this form. Make sure you don't miss out!

Shortcut Method

If you have been working from home, the 'shortcut method' is no longer available to claim your running expenses at the rate of 80c per hour worked. Instead, this method has been changed to the 65c revised fixed rate. This can be read about in more detail in our article, No More Shortcuts For WFH Deduction.

LMITO Offset

The LMITO offset will not be available for your 2022-23 tax return, as it was confirmed late last year that the previous financial year would be the final year it would be applied to returns.

The LMITO acted as an offset, meaning it reduced the tax you pay (your tax payable) on your taxable income. Your taxable income is your total deduction minus any deductions you claim.

You may have noticed a slight boost to your tax returns in prior years due to your tax payable being lowered by LMITO. This will no longer be the case, and compared to previous years with LMITO, you may notice a difference in your tax refund.

WHAT CAN I STILL CLAIM?

Low-Income Tax Offset

While the LMITO will not be available for the 2022-23 income year, the Low Income Tax Offset (LITO) may still be available (pending any further rulings or changes). The ATO will automatically apply this after you lodge your tax return this year.

The amount of the low-income tax offset (LITO) you receive will depend on your taxable income.

If your taxable income is:

The amount of the low-income tax offset (LITO) you receive will depend on your taxable income.

you will get the maximum offset of **$700**

you will get **$700** minus 5 cents for every $1 above **$37,500**

you will get **$325** minus 1.5 cents for every $1 above **$45,000**.

This is automatically calculated and applied by the ATO, and set out on your return.

Loss Carry Back Tax Offset

Loss carry back provides a refundable tax offset that eligible corporate entities can claim in their 2022-23 company tax returns. Those who are eligible can opt to 'carry back' their losses to an earlier income year where they had income tax liabilities. The tax that this would have saved in the prior year can then be 'brought forward' to the current year as a refundable tax offset. As it is a refundable tax offset, it may result in a cash refund, a reduced tax liability or a reduction of a debt you may owe the ATO.

Why Should You Start Your Pension On The 1 July 2023?

If you've turned 60 during the year or are already over the age of 60, you could be in a position to save yourself a lot of tax by starting a pension from your superannuation at the start of the new financial year (1 July 2023). But why should you?

If you can start an account-based pension, the earnings on the money you have invested in your superannuation fund can also become tax-free if you have met a condition of release.

An account-based pension (or allocated pension) is a regular income stream bought with money from your super when you retire.

Typically, you get to choose:

- how much it is that you want to transfer to the 'pension phase' (subject to the balance transfer cap)
- the size and frequency of your payments (within the minimum or maximum allowed)
- how you want your super to be invested through your fund

Not everyone can start an account-based pension when they turn 60, however.

If you are still in the same job that you had when you turned 60, you will need to start a transition to retirement pension (TRIS). With a TRIS, the income you receive from the fund remains tax-free, but you continue to pay tax on the earnings made within the super fund.

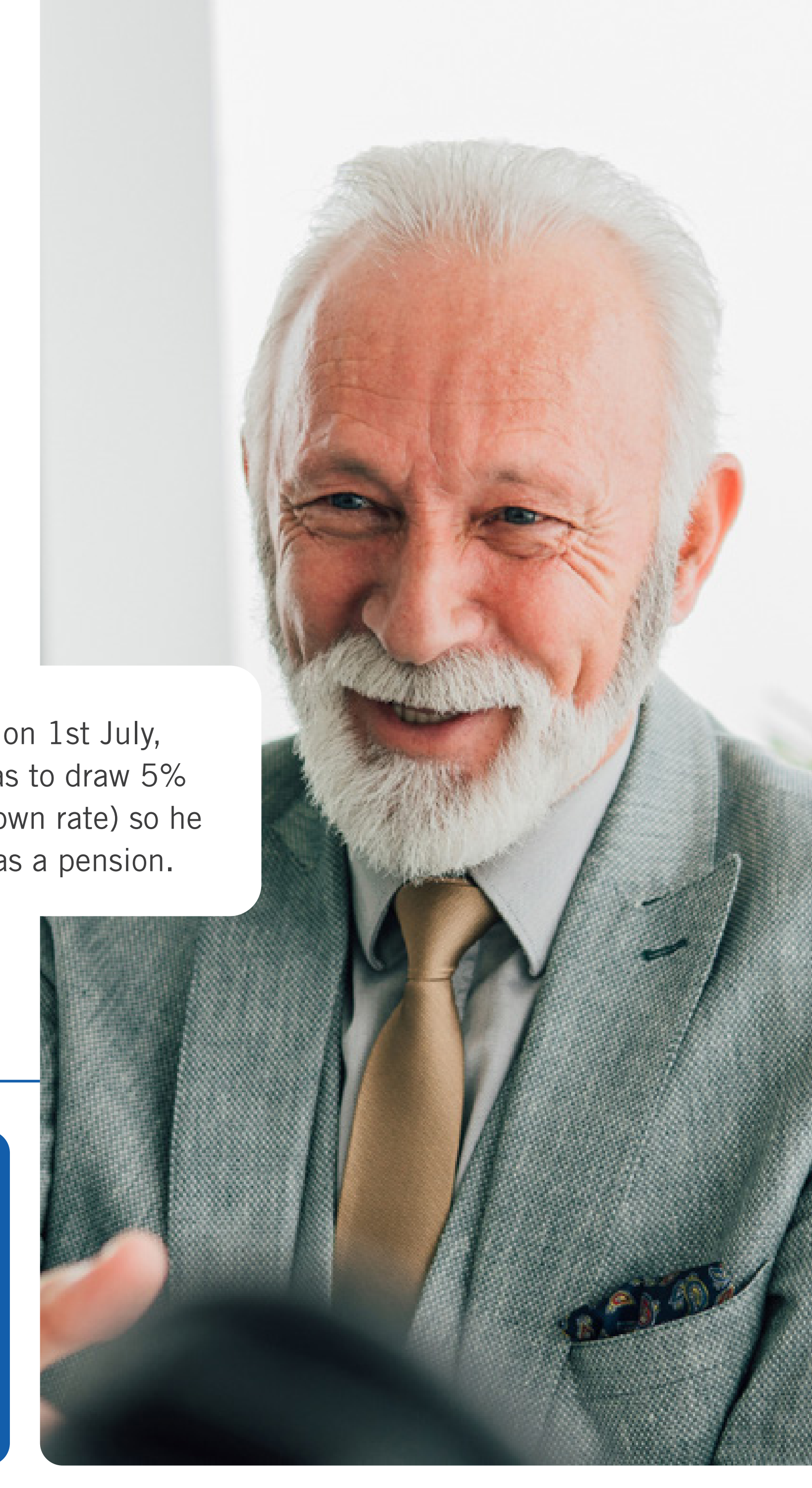
EXAMPLE

Peter is 65 and still working with $500,000 in his superannuation account. His super usually earns around 5% per annum (around $25,000 annually).

His super fund has been paying 15% tax on the $25,000, directly impacting Peter's return.

Peter decides to start an allocated pension on 1st July, meaning he now saves that 15% tax. He has to draw 5% as a pension (the minimum pension drawdown rate) so he needs to draw at least $25,000 each year as a pension.

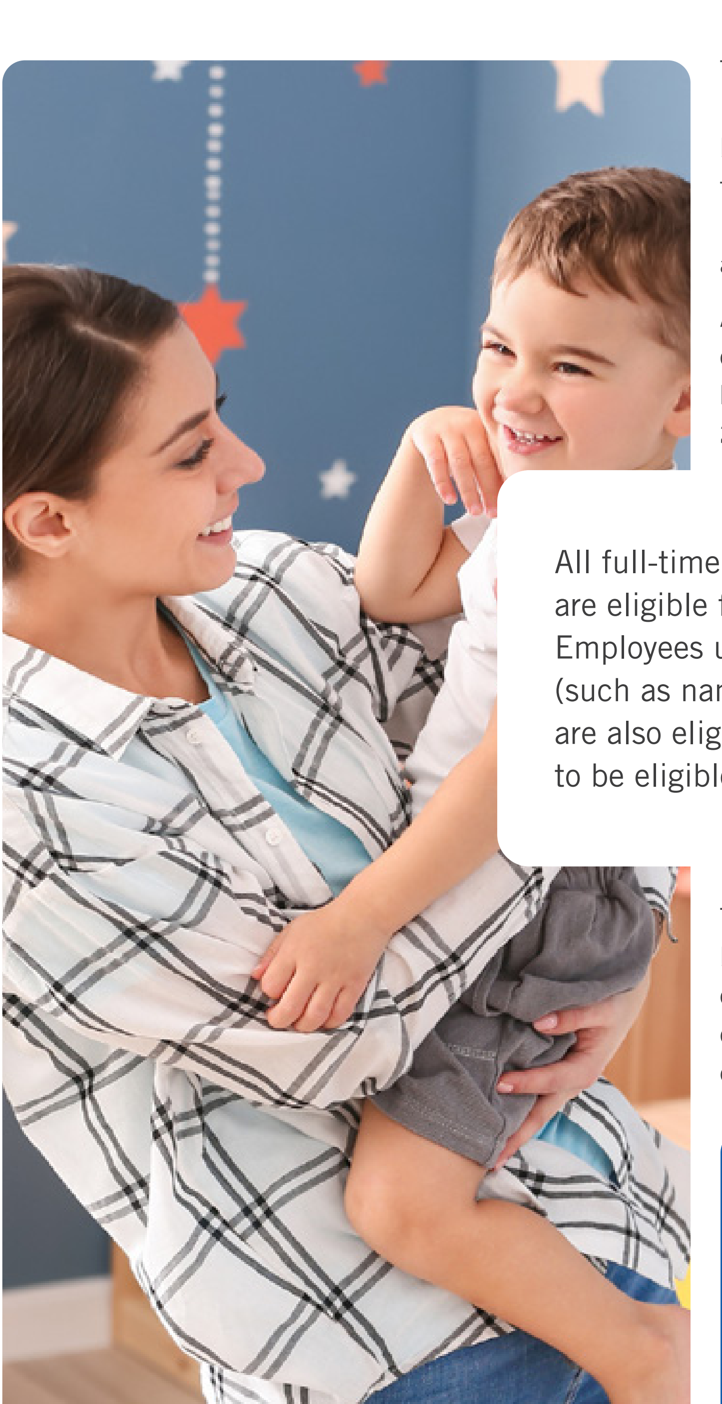
This also allows Peter to make bigger contributions that are tax-deductible.



While pensions are good tax structures for people over the age of 60, they also need to be considered carefully on a case-by-case basis. Why not speak with us to determine whether the time is right for you to commence a pension at the start of the new financial year?

Increase To Super Guarantee From 1 July 2023

Over the last few years, the superannuation guarantee (SG) has been steadily increasing by a set percentage.



The super guarantee will be continuously increased to 12% gradually over the next few years (predicted to occur by 2025). This stepped increase gives businesses time to plan for the future, as they only need to make small increases each year rather than cope with a 1.5% increase all at once.

At present, employers must pay the equivalent of 10.5% of ordinary time earnings in the 2022-23 financial year. **From 1 July 2023, this is set to rise to 11% for the 2023-24 financial year**.

All full-time, part-time and casual employees over 18 are eligible for super guarantee contributions, or SGC. Employees under 18 years and private domestic workers (such as nannies) who work more than 30 hours a week are also eligible. Even certain contractors may be deemed to be eligible.

To make sure that your business is doing the right thing by your employees and paying them the correct amount of superannuation, make sure that the contributions are correctly being calculated based on their ordinary time earnings.

If you require assistance maintaining your payroll and keeping up to date with these changes (and others), speak with a trusted adviser (like us).

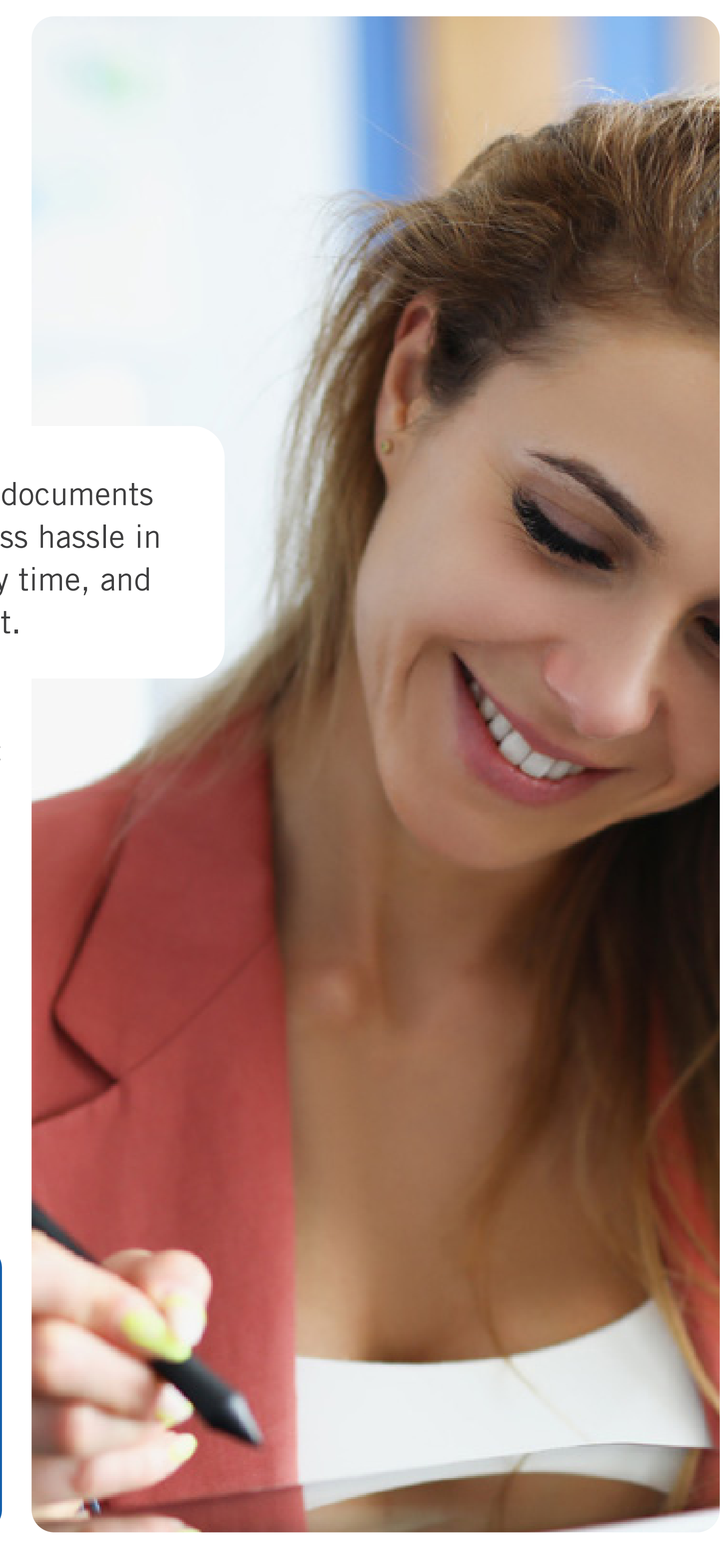
Family Trust Resolutions & Electronic Signatures

As we approach the end of the financial year, it is very important to consider the tax impacts of certain decisions that are made by your family trust—namely, the signing off on the family trust resolutions.

According to taxation law, the beneficiaries of a family trust need to be able to receive the income from the trust they are owed (their present entitlement) before the end of the financial year. If the beneficiaries do not receive that income when they are supposed to, then the trustee of the trust will pay 47% tax on every dollar of earnings.

The way to make the beneficiaries presently entitled is to have the trustees prepare a resolution that details how much of the profit of the trust each person will get. This must be done before it is known what the profit will be.

> Many areas allow for the electronic signing of documents to make it easier for those involved. There's less hassle in being physically present, it can be done at any time, and it gives a precise time for dating the document.



However, if you wish to sign your trustees' resolutions electronically, it is impossible to back-date documents (not that, of course, you ever would). You must work out your family trust distributions before 30th June so that you can electronically sign your resolutions before 30 June (and have this reflected in the digital information).

As the Australian Taxation Office has begun a closer examination of family trusts, ensure that yours is up to standards. We can assist with preparing the resolutions, and as long as they're electronically signed before the 30th of June, there can be no dispute that it was done before the end of the financial year, thus avoiding excessive tax implications.

In the lead-up to the end of the financial year, take the time to sit down with us and review your trust income for the year and the income of the other potential beneficiaries so we can assist you with determining distributions. We're here to help.

How Might Disasters Affect Your Tax Time?

If any form of disaster has impacted you before this tax time, there may be ways that we can assist you with your tax return.

If an event occurs (either a natural disaster or man-made), individuals need to determine the tax treatment of any insurance payouts or relief payments they may receive or any grants received.

Usually, individuals are unlikely to experience tax consequences for payments for personal property or assets during these events. Personal property or assets in this instance include your family home and household assets.

There are special rules though for

Personal assets that cost more than **$10,000**

Collectables that cost more than **$500** such as paintings, jewellery, antiques or coins

These rules only apply if the insurance payout exceeds the asset's original cost.

However, suppose an individual's income-producing assets incur damage. In that case, they will need to determine the proper tax treatment of the payouts or relief payments that they receive and the costs involved in repairing or replacing the assets.

An insurance payout for a property used to produce income will have tax consequences, for example, if you used a part of your home to run a home business or you rented out a room.

The insurance payout amount will be relevant when you work out if you have a capital gain or capital loss to include in your tax return. If you are a small business operator, you may be entitled to small business capital gains tax (CGT) concessions. If your asset is destroyed, you can roll over the CGT liability.

If you have been working from home and using personal assets to produce income when the event occurred (such as a personal laptop you are repurposing), then determining which tax treatment applies could get complicated. You may have to talk to the ATO or us to clarify the specificities of your situation.

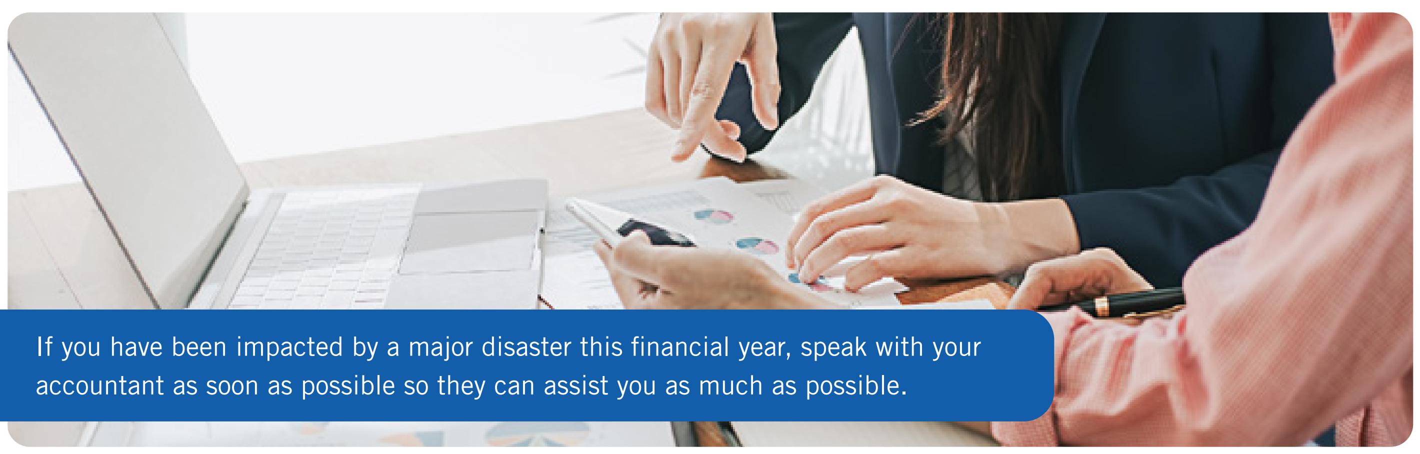
What Support Can I Access?

The ATO often provide support to those impacted by major events, such as natural disasters, by helping them:

- Gain extra time to pay tax or lodge tax returns, activity statements or other obligations
- Set up a payment plan tailored to your individual situation
- Remit penalties or interest charged during the time you've been affected.

If your records have been damaged, destroyed or lost, there are several ways the ATO or your accountant may be able to help you reconstruct them.

They can re-issue or help you reconstruct lost or damaged records to claim entitlements including tax deductions, or to access government payments or concessions.



If you have been impacted by a major disaster this financial year, speak with your accountant as soon as possible so they can assist you as much as possible.

This publication is for guidance only, and professional advice should be obtained before acting on any information contained herein. Neither the publishers nor the distributors can accept any responsibility for loss occasioned to any person as a result of action taken or refrained from in consequence of the contents of this publication. Publication date April 2023