



JUNE 2023

NEWSLETTER

36 Templar Street, Forbes NSW 2871 T: 02 6852 1855
136 Clarinda Street, Parkes NSW 2870 T: 02 6862 1444
Email: info@bwraccountants.com.au



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Tax concessions gone on 1 July 2023

1. Low and middle income tax offset (LMITO).
2. Temporary full expensing has ceased.
3. Companies will no longer be able to carry back their losses from 1 July 2023.

Super Guarantee Rate increasing to 11% from 1 July 2023



The rate for superannuation contributions made by employers under the Super Guarantee Charge will **increase from 10.5% to 11% on 1 July 2023**. All employers should ensure that they have made necessary adjustments to their payroll system by 1 July 2023.

End of reduced minimum super pension drawdown rate - 30 June 2023

On 1 July 2023 the minimum account-based pension drawdown rates will revert to pre-COVID levels.

2022/23 Super contribution caps

Note: You may be able to contribute above these limits, but there are certain conditions you must first satisfy. *Contact us for further information on this.*

Concessional (i.e. tax deductible) \$27,500
Members aged between 67 and 74 need to meet the work test. Generally members 75 and over are unable to make personal contributions. You may be eligible to carry forward unused concessional contributions.

Non-Concessional (i.e. not tax deductible) \$110,000
Subject to your total superannuation balance and age limits.

Reminder: Super Guarantee payments (SGC)

It is important to ensure you allow enough time for the payment to **be received** by the fund before the quarterly due dates, as listed below.

- Quarter ended June 2023 - due 28 July 2023
- Quarter ended September 2023 - due 28 October 2023
- Quarter ended December 2023 - due 28 January 2024
- Quarter ended March 2024 - due 28 April 2024

Planning Point

To count as a tax deduction in the 2022/23 year, you must have paid the super guarantee by 30 June 2023

Missed the SGC Deadline

If you did not pay the correct amount of SGC for your employees on time, you will need to pay the SGC surcharge by lodging an SGC statement to the ATO. Penalties for failure to lodge and pay SGC can be up to 200% of the SGC.

Income tax rates for 2022/23 and 2023/24 financial years

The tax rates that apply to individuals who are Australian residents for tax purposes are detailed below. **These rates do not include the Medicare levy of 2%.**

Taxable income	Marginal tax rate	Tax payable
0 – \$18,200	0%	Nil
\$18,201 – \$45,000	19%	19c for each \$1 over \$18,200
\$45,001 – \$120,000	32.5%	\$5,092 plus 32.5c for each \$1 over \$45,000
\$120,001 – \$180,000	37%	\$29,467 plus 37c for each \$1 over \$120,000
\$180,001 and over	45%	\$51,667 plus 45c for each \$1 over \$180,000

Company tax rates BRE - 25%

The Tax rate for Base Rate Entities (BREs) is now set at 25%.

BREs are companies that have an aggregated turnover of less than \$50m and derive less than 80% of their income from defined passive sources, such as rental income and interest.

The tax rate for all other companies is 30%.

Proposed - \$20,000 small business instant asset write-off - from 1 July 2023

Small businesses, with an aggregated turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible depreciating assets costing less than \$20,000 that are first used or installed ready for use between 1 July 2023 and 30 June 2024 i.e. the asset value needs to be \$19,999.99. The rules only apply to assets that fall within the scope of the depreciation provisions. Expenditure on capital improvements to buildings that fall within the scope of the capital works rules is not expected to qualify.

The provisions that prevent small businesses from re-entering the simplified depreciation regime for 5 years if they opt-out will continue to be suspended until 30 June 2024. This will be particularly relevant to small business entities that chose to leave the simplified depreciation system in order to opt-out of applying the temporary full expensing rules to one or more specific assets.

Proposed - small business incentives

The **Small Business Energy Efficiency** incentive provides an additional deduction of 20% of the cost of eligible depreciating assets that support electrification and more efficient use of energy such as electrifying heating and cooling systems. The incentive is available to small and medium businesses with aggregated annual turnover of less than \$50m and up to \$100,000 of total expenditure will be eligible, with a maximum bonus deduction of \$20,000. Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024 to qualify for the bonus deduction.

While the full detail of what qualifies for the incentive is not yet available, it is expected to apply to a range of depreciating assets and upgrades to existing assets so please talk to us about the progress of these possible incentives .

On 29 March 2022, as part of the 2022/23 Budget, the then Government announced it will support small business through a **Technology Investment Boost and Skills and Training Boost** allowing small businesses to deduct an additional 20% of the expenditure incurred for the purposes of business digital operations and staff training. These measures are **not yet law**. You cannot claim the boosts until the law is enacted. *Please talk to us about the progress of these possible incentives.*

Motor Vehicle deductions - small business

The type of motor vehicle you drive can affect how you calculate your claim. Your business structure affects your entitlements and obligations when claiming deductions for motor vehicle expenses.

There are other things you need to consider depending on the ownership of the vehicle with the use, such as FBT exposure. If you use your motor vehicle for both business and private use, you can only claim the portion that is used for business. Record keeping is critical and you must keep records for up to 5 years to prove your expenses in case asked to substantiate claims. In most cases, where you travel over 5,000kms for business, you will need a log book to substantiate your claim.

More Information: <https://www.ato.gov.au/Business/Small-business-newsroom/General/Use-a-motor-vehicle-for-business-purposes/>

Tax tips - before 30 June 2023

Temporary full expensing provisions

Businesses with an aggregated turnover of less than \$5b can claim the full cost of an eligible depreciating asset purchased between 6 October 2020 and 30 June 2023. If you plan on purchasing depreciating assets and intend to claim the full amount as an expense for the financial year ending 30 June 2023, ensure you have paid for and installed the asset ready to use by 30 June 2023.

Warning: consider the cost limit before buying cars

- ◇ Purchasing a car with a carrying capacity of less than one tonne which is designed to carry passengers (such as sedan or hatchback), the amount of depreciation that can be claimed is limited to the car limit which is \$64,741 - FY 2022/23.
- ◇ The cost limit also impacts the maximum GST you can claim on such vehicles.
- ◇ The cost limit does not apply to utility type vehicles with a payload capacity of more than one tonne used for business.

Comply with ATO year-end reporting obligations

Single Touch Payroll (STP)

Ensure year end payroll procedures have been completed and make a finalisation declaration for your employees by 14 July 2023. Please check your wages before finalising the STP.

Taxable Payment Annual Reports (TPAR)

If you are operating in an industry which requires a TPAR lodgement, you need to lodge this by 28 August 2023 containing information in relation to payments made to contractors.

Deadline for submitting RAA applications for \$75k Special Disaster Grants

Closing date **30 June 2023**

Eligible Storm and Flood Programs	Applications close	Claims close
NSW Severe Weather & Flooding February 2022 onwards	30 June 2023	30 September 2023
NSW Flooding from August to November 2022	30 June 2023	8 May 2024

More Information: <https://www.raa.nsw.gov.au/disaster-assistance/storm-and-flood-programs>

ATO tax time targets - Capital Gains Tax (CGT)

When it comes to capital gains tax (CGT) rules, the ATO will be focusing on the application of the main residence exemption in situations where the property has been used for income producing purposes. The ATO is also focusing on the recognition of the disposal of capital assets such as shares, crypto assets, managed investments or properties.

Not keeping good records

When you acquire a CGT asset, you need to start keeping good records as there may be a long period of time between acquiring and disposing of the asset. Without these records, you may end up paying more tax than necessary. You need to keep CGT records for five years after you sell or otherwise dispose of an asset, unless you keep an asset register. For example, if you hold an asset for 10 years and then sell it, you would have to keep the records for 15 years.

Market Valuation substitution rule

If you receive less than market value in exchange for a CGT asset, you are taken to have received the market value of the asset at the time of the CGT event. This is called the market value substitution rule for capital proceeds. The law looks at the relationship between the parties and the quality of the bargaining between them e.g. transferring property to family.

Work from home deduction method

The ATO has 'refreshed' the way you can claim deductions for the costs you incur when you work from home. From 1 July 2022 onwards, you can choose either to use a new 'fixed rate' method (67 cents per hour), or the 'actual cost' method depending on what works out best for your scenario.

The new rate is 67 cents per hour, and covers your energy expenses (electricity and gas), phone usage (mobile and home), internet, stationery, and computer consumables. You can separately claim the cost of the decline in value of assets such as computers, repairs, and maintenance for these assets, and if you have a dedicated home office, the cost of cleaning the office.

The ATO has warned that it will no longer accept estimates or a sample diary over a four week period for the 67 cents fixed rate method of claiming work from home deductions. From 1 March 2023 You will need to demonstrate the actual hours you worked from home.

Farm management deposits (FMD) - risk management and tax planning tool

An FMD Scheme is a risk-management tool to help primary producers deal with seasonal variations of profit. FMDs are a useful tax planning tool that can be used to delay tax liabilities in the year the deposit is made until the year the deposit is withdrawn. The tool allows the income made in a good year to be carried over into a year that the funds may be needed. **To be eligible to claim a deduction for a deposit to an FMD account, you must:**

- ◇ be an individual (including a partner in a partnership, or beneficiary of a trust);
- ◇ be carrying on a primary production business in Australia when you make a deposit;
- ◇ have no more than \$100,000 in taxable non-primary production income in the income year you make the deposit, and the FMD claim must be no more than your primary production income for that year.

**Maximum:
\$800,000 /
Individual**

ATO rental property blitz

The Australian Taxation Office (ATO) has launched a full-on assault on rental property owners who incorrectly report income and expenses. As a result, banks and other financial institutions will be required to hand the ATO residential investment loan data on an estimated 1.7 million rental property owners for the period from 2021/22 through to 2025/26.



In addition to identifying whether landlords are declaring their residential investment property income at all, the data matching program is looking specifically at how rental property loan interest and borrowing expense deductions have been reported in the rental property schedules, and whether net capital gains have been declared for property used to generate income.

The ATO will require these rental property software providers to provide details of property owners including their bank details, income, expenses and the amount of those expenses, and details of their associated rental properties and agents. Data collection of the estimated 1.6 million individuals in this data program will cover the period from 2018/19 to 2022/23.

What is on the ATO's radar?

- ◇ Claiming interest where redrawing on the loan is for personal purposes
- ◇ Borrowing costs - written off generally over 5 years
- ◇ Repairs & maintenance or capital works

An area of major confusion is the difference between repairs and maintenance, and capital works. While repairs and maintenance can be claimed immediately, the deduction for capital works is generally spread over a number of years.

Also remember that any repairs and maintenance undertaken to fix problems that existed at the time the property was purchased are not deductible.

Check your myGov Account regularly

Please check your myGov account regularly for ATO and other correspondence including any income tax instalments you may need to pay.

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REMINDER: Trust resolutions

Trustees (or directors of a trustee company) need to decide on the distributions they plan to make by 30 June 2023 at the latest. Decisions made by the trustees should be **documented in writing by 30 June 2023**. If valid resolutions are not in place by 30 June 2023, the risk is that the trustee is taxed at the highest marginal rate.

Managing s100A risk - Trust integrity rules

The ATO is targeting arrangements under s100A, specifically where trust distributions are made to a low-rate tax beneficiary, but the real benefit of the distribution is transferred or paid to another beneficiary.

If you operate your affairs through a discretionary trust, chat with us around your distribution options prior to 30 June deadline.



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Income thresholds are changing from 1 July 2023 - Private health insurance rebate and Medicare levy surcharge (MLS)

The income thresholds used to calculate the Medicare levy surcharge and private health insurance rebate have increased from 1 July 2023. MLS and Private health insurance rebate income thresholds and rates for 2023/24 are:

Threshold	Base tier	Tier 1	Tier 2	Tier 3
Single threshold	\$93,000 or less	\$93,001 – \$108,000	\$108,001 – \$144,000	\$144,001 or more
Family threshold	\$186,000 or less	\$186,001 – \$216,000	\$216,001 – \$288,000	\$288,001 or more
Medicare levy surcharge	0%	1%	1.25%	1.5%

Note: The family income threshold is increased by \$1,500 for each Medicare levy surcharge dependent child after the first child.

Superannuation co-contribution

The government will contribute **up to** \$500 to your super if you make an after tax contribution of \$1,000. The amount the government will contribute will phase out between the personal income thresholds of \$42,016 and \$57,016 in the 2023 financial year. These will increase to \$43,445 and \$58,445 in the 2024 financial year.

A further qualifier to the co-contribution scheme is that you must receive at least 10% of your income from employment or a business you operate and be less than 71 years old at the end of the financial year.

Client Alert - beware of scams

Scams are on the rise in our community and regrettably some of us may have been targeted in the past. Scammers pretending to be from ASIC, ATO, from your bank, debt collectors or fake investment schemes are some of the most common ones we see these days.

Tips to avoid scams

- ◇ Never disclose your passwords, PIN numbers or bank account numbers. Legitimate companies and banks will never ask you for these details by email or over the phone.
- ◇ Please confirm with us if you receive any requests to make payment to the ATO or ASIC as ATO and ASIC will never call on the last day asking for payment.
- ◇ Before making any online payments, check the bank account details on the invoice and confirm any account changes by calling your suppliers. We have seen bank accounts changed on invoices by scammers, sent via email.

End of Year (EOY) 30 June 2023 - reminders and checklist

(list not exhaustive)

Please refer below for a checklist of some requirements for your EOY accounting and tax work.

Business

- ◇ EOY closing stock values / livestock numbers, including deaths and natural increase.
- ◇ Copies of bank, loan statements, new equipment finance agreements and schedules for the period 1 July 2022 to 30 June 2023.
- ◇ Full details of property sale/purchase contract notes, together with settlement and solicitors invoices for each CGT event.
- ◇ Invoice copies of purchase or sale of depreciating assets.

Personal

- ◇ Annual agent rental statements for the year ending 30 June 2023, together with supporting invoices and notices for expenses, with full year loan statements if financed.
- ◇ Don't forget to get an acknowledgement of advice from your super fund if you are claiming any personal super contribution for the FY 2023.
- ◇ Details of your personal deductions for the FY 2023, including donations.
- ◇ Share portfolio reports, with sale & purchase and dividend details for the year.
- ◇ EOY interest summary.