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CERTIFIED PRACTISING ACCOUNTANTS

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Tax planning

With the end of the 2019 income tax year upon us, this issue draws attention to year-end tax planning strategies and compliance matters that you need to consider to ensure good tax health. It focuses on the most important issues for small to medium businesses and individuals to consider.

– **TIP:** This is general information, but we'll take your particular circumstances into account to help you achieve good tax health. Contact us to find out more.

Deferring derivation of income

If your business recognises income on an accruals basis (when an invoice is raised) and your cash flow allows, you may consider delaying raising some invoices until after 30 June, meaning the assessable income will be derived after the 2019 income tax year.

For business income derived on a cash basis (interest, royalties, rent and dividends), you may consider deferring the receipt of certain payments until after 30 June 2019. For example, setting term deposits to mature after 30 June 2019 rather than before.

Bringing forward tax-deductible expenses

To qualify for deductions in the 2019 income tax year, you may be able to bring forward upcoming expenses so that you incur them before 30 June 2019. Small businesses and individual non-business taxpayers may prepay some expenses (such as insurances and professional subscriptions) up to 12 months ahead. This should only be done subject to available cash flow and where the prepayment makes commercial sense.

Tax relief for individuals and small businesses

Instant asset write-off

The instant asset write-off threshold for small businesses has been increased to \$30,000 and extended to 30 June 2020. And from 2 April 2019, the instant asset write-off has also been expanded to include businesses with a turnover from \$10 million to less than \$50 million.

If you purchase an asset (new or secondhand) costing less than \$30,000 and it is used or installed ready for use from 7:30pm on 2 April 2019, you can claim a deduction for the portion your eligible small business uses. Different thresholds and deduction amounts apply for assets purchased before that date.

You can purchase and claim a deduction for multiple business assets as long as each asset is under the relevant threshold. Assets costing \$30,000 or more can't be immediately deducted. You can continue to deduct them over time using the small business pool.

Low and middle income tax offset

A new low and middle income tax offset (LMITO) will be available for individuals, providing a benefit of up to \$255 if you earn under \$37,000 and up to \$1,080 for if you earn between \$48,000 and \$90,000. The offset reduces by 3 cents for every dollar in excess of \$90,000. There is no offset for individuals who earn more than \$126,000.

Individuals

Deduct work-related expenses

People overclaiming deductions for work-related expenses like vehicles, travel, internet and mobile phones and self-education are on the ATO's hitlist again this year. There are three main rules when it comes to work-related claims:

You can only claim a deduction for money you have actually spent (and that your employer hasn't reimbursed).

The expense must be directly related to earning your work income.

You must have a record to prove the expense.

Deductions are not allowed for private expenses (eg travel from home to work that's not required to transport bulky equipment) or reimbursed expenses (eg for the cost of meals, accommodation and travel). And although you don't need to include records like receipts with your tax return, the ATO can deny your claim – and penalties may apply – if you can't produce the evidence when asked.

– **TIP:** The ATO now uses real-time data to compare deductions across similar occupations and income brackets, so it can quickly identify higher-than-expected or unusual claims.

Don't forget sharing economy income

Money that you earn from "gig" jobs through platforms like Uber, Airtasker and Airbnb, such as transporting passengers or renting out a room or house, counts as your assessable income. This means you must declare it on your tax return.

Depending on your gig activities and expenses, you may also be able to claim deductions related to this

type of income, but it's important to keep evidence to support your claims.

Superannuation contributions and changes

Both employees and self-employed individuals can claim a tax deduction annually (maximum \$25,000) for personal superannuation contributions, provided the super fund has physically received the contribution by 30 June 2019 and the individual provides their fund with a "notice of intention to claim" document.

Important to note!

New rules mean that insurance coverage will be cancelled on "inactive" superannuation accounts from 1 July 2019, unless the fund member informs the fund in writing that they want to keep the insurance. Also, where an inactive account has a low balance (under \$6,000) the fund will have to send that super to the ATO for consolidation and safekeeping.

If you haven't made contributions or rolled over your super in the past 16 months, no matter what your balance, it's important to check in with your fund now to keep your account active and maintain the insurance you want.

– **TIP:** The new law also bans super funds from charging exit fees when you want to leave the fund, which should make it easier to change and consolidate your super accounts when you need to.

Businesses

Lower company tax rate

From 1 July 2016, the income tax rate applicable to qualifying companies has reduced to 27.5%. For the year ending 30 June 2019, this lower tax rate now applies for companies with aggregated turnover of up to \$50 million, as long as they satisfy the "passive income test".

Small business restructure rollover relief

Small businesses (<\$10 million turnover threshold) have access to the small business restructure relief, which allows eligible taxpayers to transfer assets between related entities, including companies, trusts and individuals, without any income tax or CGT consequences. While this rollover can be very beneficial to a small business, and can lead to substantial tax savings, the eligibility rules can be complex, so care is needed.

Super guarantee contributions

The rate for super contributions paid by employers on behalf of their employees under the super guarantee for the year ended 30 June 2019 is 9.5%.

If you're an employer, you must make super guarantee contributions for your employees quarterly, within 28 days after the end of each quarter (September, December, March and June).

– **TIP:** Although the June 2019 quarter super guarantee contribution doesn't have to be paid until 28 July 2018, it's worth considering an early payment – you can only claim deductions on this year's return for contributions that employees' super funds receive by 30 June 2019.

Single touch payroll

From 1 July 2018, employers with 20 or more employees will have to run their payroll and pay their employees through accounting and payroll software that is Single touch payroll (STP) ready. This is a major reporting change, as employers will report payments such as salaries and wages and allowances, PAYG withholding and super information to the ATO directly from their payroll solution at the same time employees are paid.

From 1 July 2019, this system will extend to all employers.

– **TIP:** STP reporting also means changes for employees, who will see year-to-date tax and super information in myGov. Employers no longer have to give employees payment summaries (group certificates) for information reported through STP, because this information will appear on an employee's employment income statement in myGov at the end of the financial year.

Beware of ATO impersonation scams at tax time

The ATO warns taxpayers to be alert to malicious scammers who are using increasingly sophisticated methods and technology to impersonate the ATO. A new tactic on the rise is "spoofing", where scammers mimic a legitimate ATO phone number caller ID to call or send SMS messages, or mimic a legitimate email domain to send emails.

SMSs and emails may ask you to click on a link and provide your personal details to get a "refund" from the ATO. Scammers may also say you need to pay a (fake) tax debt. The ATO warns that these scammers may intend to steal not only your money, but also your identity by using your personal information.

– **TIP:** If you're not sure whether a communication is really from the ATO, don't respond, don't click any links and don't open any attachments. Call the ATO's scam hotline on 1800 008 540 to check its legitimacy.

Important: This is not advice. Clients should not act solely on the basis of the material contained in this Bulletin. Items herein are general comments only and do not constitute or convey advice per se. Also changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. The Bulletin is issued as a helpful guide to clients and for their private information. Therefore it should be regarded as confidential and not be made available to any person without our prior approval.