



Year end tax tips

How to reduce your tax bill

We are getting near the end of the tax year (30 June), so you might want to consider ways to reduce your business' tax bill.

The two simplest ways to do this are to reduce assessable income or increase deductible expenditure. Either way, the business' taxable income (and thus the amount of tax payable) is reduced.

One way to reduce assessable income for the current tax year if your business reports income on a cash basis is to delay sending an invoice to a customer until after 30 June. Of course, cash flow requirements may dictate otherwise.

If you are in the process of selling property and the profit will be taxable as a capital gain, you could defer the sale until the next tax year – but remember that the liability to pay CGT arises when you exchange contracts and not on settlement.

You can increase deductible expenditure by bringing it forward from the next tax year to the current tax year. This is particularly useful where an immediate deduction is available – for example, for depreciating assets if you are a small business, start-up costs and certain prepaid expenses.

Charitable donations are a good way to increase your deductions. If you are not sure if a donation will be deductible, you can check the deductibility status of charities [here](#). In certain circumstances, a deduction is available where trading stock is donated. Don't forget to ask for a receipt.

What are the benefits?

If you are a sole trader or a partner in a partnership, the benefits of reducing your taxable income could include:

- reducing your marginal tax rate, for example, from 45% to 37% or from 37% to 32.5%; and
- avoiding liability for the Medicare levy surcharge (at least 1%) if you don't have adequate private health insurance.

Tip! As the end of the tax year approaches, talk to your tax adviser about ways to minimise your tax bill.

Trustee resolutions

If you operate your business through a trust and you wish to make beneficiaries presently entitled to trust income for the 2023–24 income year, you should ensure your trustee resolutions are effective. This includes where you may want to make beneficiaries specifically entitled to franked dividends and capital gains that are included in trust income.

Note that you do not have to prepare the trust accounts by 30 June to make beneficiaries presently entitled to trust income.

It is important that the trustee:

- ensures decisions are consistent with the terms of the trust deed. Check that the trust hasn't vested, as this may impact distribution decisions;
- considers who the intended beneficiaries are and their entitlements to income and capital under the trust deed. If the trustee has made a family trust election (**FTE**) or an interposed entity election (**IEE**), this may have a tax impact on distribution decisions;
- notifies beneficiaries of their entitlements to allow beneficiaries to correctly report distributions in their tax returns, preventing trust income from being omitted;
- follows any requirements in the trust deed governing the making of trustee resolutions, including the need to have the resolution in writing and the timing of when it is required to be made (there is no standard ATO format). Resolutions making one or more beneficiaries presently entitled to the trust income need to be made by the end of the income year;
- ensures that resolutions are unambiguous; and
- if the trust has capital gains or franked distributions the trustee would like to stream to beneficiaries — confirms the trust deed does not prevent this and that the trustee has complied with the legislative requirements relating to streaming these amounts.

Note that, if a resolution is validly made by 30 June, the ATO will accept records created after 30 June as evidence of the making of a resolution by that date.



What's in the legislative pipeline?

Small business instant asset write-off

As has been previously reported in TaxWise, the Government proposes to increase the small business instant asset write-off (**IAWO**) threshold for businesses with an aggregated annual turnover of less than \$10 million to \$20,000 for the 2023–24 income year. This will allow an eligible small business to immediately deduct the full cost of an eligible depreciating asset costing less than \$20,000.

Legislation to give effect to the proposed increased threshold is currently before Parliament. The Senate recently amended the enabling Bill to further increase the IAWO threshold to \$30,000 and extend the concession to medium-sized businesses with an aggregated annual turnover of less than \$50 million. However, the House of Representatives has twice disagreed to the Senate's amendments, which the Senate is insisting on. The Parliament next sits from 24–27 June then from 1–4 July. Once the issue is resolved, TaxWise will provide an update.

Separately, the Government announced as part of the recent Federal Budget 2024–25 that it proposes to extend the increased IAWO threshold of \$20,000 for a further 12 months, to the end of the 2024–25 income year. The enabling legislation has been introduced into Parliament.



From the ATO

Small business – helpful practices

With the new tax year around the corner, having a recipe for success is a good idea, including putting good business practices in place. The ATO recommends you focus on good cash flow management, good record keeping and having the right digital tools to help your business.

It's also a good idea to set up a separate bank account for Pay as you go (**PAYG**) withholding, employee superannuation and GST. This will help you ensure you're on track to pay in full and on time.

Knowing what records you need to keep is important. You need to keep most records for 5 years, so you should store them in a safe place. They should also be written in English – or easily converted to English. A good record system makes it easier for you to lodge and pay on time.

Having the right digital tools will help you to perform daily business activities easily and securely, making it easier to meet your tax obligations at times it is convenient for you.

Remember, it's important to lodge, and pay in full and on time.

Support available to businesses experiencing difficulties

Paying your business' tax bill in full and on time will help you avoid paying the general interest charge (**GIC**), which is currently 11.34% and accrues daily for any overdue debts. If your business is dealing with some financial difficulties, support is available.

Payment plan

You may be eligible to set up a payment plan. If your business owes \$200,000 or less, you may be able to do this yourself using online services. If you can't, or you owe more than \$200,000, you should contact the ATO to discuss your options. It's important that you pay any overdue tax debts as soon as possible.

GIC remission

You can ask the ATO to remit your GIC. In deciding whether to remit GIC, the ATO considers factors such as:

- the circumstances that caused the delayed payment resulting in GIC;
- how these circumstances prevented your business from paying by the due date; and
- what steps your business took to reduce the delay.

The ATO looks at whether your business was responsible for the delay in payment or if it was outside its control, for example, whether it was due to a natural disaster, industrial action, the unforeseen collapse of a major debtor or the sudden ill health of key staff.

If your business was responsible for the delay, the ATO will consider whether it is fair and reasonable to remit the GIC. The ATO may also ask you to provide documents to support your request.

Tip! if your business is dealing with some financial difficulties, your tax adviser can talk to the ATO on your behalf.

Lodgment deferrals

A lodgment deferral gives your business extra time to lodge a document without incurring a failure to lodge on time (**FTL**) penalty.

Lodgment deferrals can help if your business experiences exceptional or unforeseen circumstances that impact your ability to lodge on time.

A deferral request should be consistent with PS LA 2011/15 *Lodgment obligations, due dates and deferrals*.

The ATO may decline your deferral request if:

- your business has a record of late lodgments, including poor compliance with deferred due dates;
- they have started lodgment compliance action; or
- you haven't provided sufficient supporting information for the ATO to assess your request.

Tip! Talk to your tax adviser if you are concerned your business will not meet a lodgment due date.

Superannuation guarantee payments

A clearing house distributes superannuation contributions to employees' funds on your business' behalf. Importantly, an employee's superannuation contribution is considered 'paid' only on the date it is received by the superannuation fund and not on the date it is paid by your business or when it is received by the clearing house. The ATO's Small Business Superannuation Clearing House (**SBSCH**) is the exception, in which case your business is taken to have met its Superannuation Guarantee (**SG**) obligations once the payment is received by the SBSCH.

It is therefore important to check the processing times required for your clearing house prior to your SG payment due dates to ensure timely payments. Processing times vary, and some clearing houses may take up to 10 days to process payments.

If the superannuation fund receives your payment after the due date, you'll need to lodge an SG statement and pay the SG charge along with any penalties that may apply.

The quarterly due dates are set out in the table below.

Quarter	Period	Payment due date
1	1 July – 30 September 2024	28 October 2024
2	1 October – 31 December 2024	28 January 2025
3	1 January – 31 March 2025	28 April 2025
4	1 April – 30 June 2025	28 July 2025

Some superannuation funds, awards and contracts require you to pay superannuation more regularly than quarterly. If so, meeting the SG contribution quarterly payment dates does not ensure compliance with the requirements of other superannuation funds, awards and contracts.

You should therefore check the contractual obligations you have to ensure superannuation contributions are paid on time.

R&D tax incentive

The R&D tax incentive (provided in the form of a tax offset) aims to boost competitiveness and improve productivity across the Australian economy by:

- encouraging industry to conduct R&D that may not otherwise have been conducted;
- improving the incentive for smaller firms to undertake R&D.

Your business' R&D activities must be registered with the Department of Industry, Science and Resources (**DISR**) before claiming the incentive. The ATO is responsible for ensuring that your business' claim for the incentive is correct.

Who is eligible?

Broadly, your business is eligible to claim the R&D incentive (i.e. the R&D tax offset) if it is a company and incurred notional deductions of at least \$20,000 on eligible R&D activities.

A company incorporated overseas is also eligible if it is an Australian resident for income tax purposes or carries on business in Australia through a permanent establishment (and a relevant double tax agreement is in force).

Special rules need to be considered if your business is a member of a consolidated group or a multiple entry consolidated (**MEC**) group.

R&D partnerships

Special rules apply if your business is a partner in an R&D partnership. An R&D partnership is one where each partner meets the definition of an R&D entity.

The partnership itself is not eligible to claim the R&D offset, but the partners may be able to claim for R&D activities the partnership has undertaken.

Who R&D activities are conducted for

In most cases, your business can claim an R&D offset only for expenditure on R&D activities conducted for the business rather than for another entity. However, there are certain exceptions.

Working out for whom the R&D activities are conducted involves determining who receives the major benefit from carrying out the activities (for example, who owns the results of the activities).

Eligible R&D activities

Generally, only R&D activities conducted in Australia qualify for the R&D offset. However, R&D activities conducted overseas also qualify if AusIndustry makes a finding that the activities meet certain conditions.

R&D activities must also meet certain criteria. They must be classified as either Core R&D activities or Supporting R&D activities.

Core R&D activities are experimental activities:

- whose outcome cannot be known or determined in advance on the basis of current knowledge, information or experience;
- which can be determined only by applying a systematic progression of work that is based on principles of established science and proceeds from hypothesis to experiment, observation and evaluation, and leads to logical conclusions;
- that are conducted for the purpose of generating new knowledge (including about creating new knowledge or improved materials, products, devices, processes or services).

Some types of activities are specifically excluded from being core R&D activities.

Supporting R&D activities are activities that are directly related to core R&D activities or, for certain activities, have been undertaken for the dominant purpose of supporting core R&D activities.



Notional deductions

Total notional deductions for an income year must generally be at least \$20,000. If they are less than \$20,000, your business will be able to obtain the R&D offset only for:

- expenditure incurred to an independent Research Service Provider (**RSP**) for services within a research field for which the RSP is registered; or
- expenditure incurred as a monetary contribution under the Co-operative Research Centre (**CRC**) program.

Eligible expenditure

Notional deductions can be claimed for:

- expenditure incurred on R&D activities, including expenditure on overseas activities covered by an Advance Finding from AusIndustry, amounts paid to associates and expenditure to an RSP;
- depreciation of assets used for conducting R&D activities (including R&D partnership assets);
- balancing adjustments for assets used only for conducting R&D activities (including R&D partnership assets);
- expenditure in relation to goods and materials transformed or processed during R&D activities to produce marketable products (feedstock expenditure); and
- monetary contributions under the CRC program.

Certain expenditure is ineligible, including interest expenditure, expenditure that is not at risk and core technology expenditure.

How much is the offset?

If your business has an aggregated turnover of less than \$20 million per annum, it may be entitled to a refundable tax offset equal to its company tax rate plus an 18.5% premium.

If your business's aggregated is \$20 million per annum or greater, it may be entitled to a non-refundable tax offset equal to its company tax rate plus a premium of 8.5% for R&D expenditure up to 2% of total expenditure and 16.5% for R&D expenditure above 2% of total expenditure.

Tip! The rules governing the R&D tax offset are complex. Talk to your tax adviser if you think your business may qualify for the offset.



FBT issues

New rates and thresholds

A new FBT year (2024–25) started on 1 April. The FBT tax rate is unchanged at 47%. The gross-up rates are also unchanged (2.0802 for Type 1 and 1.8868 for Type 2).

Other relevant amounts and thresholds for the 2024–25 FBT year include:

- *record-keeping exemption threshold* – \$10,334 (\$9,786 for 2023–24);
- *statutory or benchmark interest rate* – 8.77% (7.77% for 2023–24);
- *car parking threshold* – \$10.77 (\$10.40 for 2023–24).

The *cents per kilometre rates* (for motor vehicles other than cars) for the 2024–25 FBT year are (the 2023–24 rates are in brackets):

0–2500cc	Over 2500cc	Motor cycles
66c (62c)	77c (73c)	19c (18c)

Living away from home – in Australia

The weekly food and drink expenses for the 2024–25 FBT year that the ATO accepts as reasonable for a living-away-from-home allowance (**LAFHA**) paid to employees living away from home within Australia are:

1 adult ¹	\$331
2 adults	\$497
3 adults	\$663
1 adult and 1 child	\$414
2 adults and 1 child	\$580
2 adults and 2 children	\$663
2 adults and 3 children	\$746
3 adults and 1 child	\$746
3 adults and 2 children	\$829
4 adults	\$829
Each additional adult ³	\$166
Each additional child	\$83

¹ A person is considered an adult for LAFHA purposes if they were 12 years or older before the beginning of the FBT year.

Living away from home – outside Australia

The weekly food and drink expenses for the 2024–25 FBT year that the ATO accepts as reasonable for a living-away-from-home allowance (**LAFHA**) paid to employees living away from home outside of Australia can be found in Taxation Determination TD 2024/2. Some of those reasonable amounts (for one adult) are set out below.

Country	Weekly amount – 1 adult
Argentina	\$201
Austria	\$437
Cambodia	\$137
China	\$437
Fiji	\$273
France	\$437
Germany	\$437
Greece	\$346
Hong Kong	\$437
India	\$273
Indonesia	\$273
Ireland	\$437
Italy	\$437
Japan	\$437
Malaysia	\$273
Nepal	\$273
New Zealand	\$346
Norway	\$537
PNG	\$346
Philippines	\$273
Qatar	\$537
Saudi Arabia	\$437
Samoa	\$437
Singapore	\$537
South Africa	\$201
South Korea	\$537
Spain	\$437
Sri Lanka	\$273
Sweden	\$437

Switzerland	\$537
Taiwan	\$437
Thailand	\$346
UAE	\$537
UK	\$437
USA	\$437
Vanuatu	\$346
Vietnam	\$273

Where your employee is accompanied by other family members while overseas, the reasonable food and drink amount per week for the family is worked out by multiplying the amount shown above by the relevant factor. For example:

Family group	Factor
2 adults	1.5
3 adults	2.0
1 adult and 1 child	1.25
2 adults and 1 child	1.75
2 adults and 2 children	2.0
2 adults and 3 children	2.25
3 adults and 1 child	2.25
3 adults and 2 children	2.5
4 adults	2.5



Key tax dates

Date	Obligation
30 June 2024	SG contributions must be paid (i.e. received by the superannuation fund) by this date to qualify for a tax deduction in 2023–24
15 July 2024*	Issue PAYG payment summaries if not reporting through STP
22 July 2024*	June monthly BAS due
29 July 2024*	Lodge and pay June quarterly BAS Pay June quarterly PAYG instalment Employee SG contributions for June quarter due
31 July 2024	Finalisation declaration due if reporting through STP
1 Aug 2024	Fuel tax credit rates change
14 Aug 2024	PAYG withholding annual report due if not reporting through STP
21 Aug 2024	July monthly BAS due
28 Aug 2024	June quarter SG statement due (where SG charge is payable) Taxable payments annual report due
23 Sep 2024*	August monthly BAS due
30 Sep 2024	Lodge annual TFN withholding report (trustee of a closely held trust)

Note! *This is the next business day as the due day falls on a Saturday or Sunday.

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