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+ 2022 Tax & Superannuation Update

Year-End Tax Tips

- Subject to cash flow demands, consider deferring income close to year end by delaying invoicing;
- Consider prepaying expenses (e.g. insurance, subscriptions and interest) for up to 12 months. Small businesses (turnover less than $10m) can claim expenses prepaid up to 12 months in advance;
- Ensure that wages and super paid to family members is reasonable for the work performed;
- Owing money to your company creates Division 7A (deemed dividends and loss of franking credits) issues if it is not either repaid or a complying Division 7A loan (interest and principal repayments) established by the end of the next financial year. Remember taking money out of a company has tax implications (unless it is repayment of funds you have lent the company);
- Self-Managed Superannuation Funds in pension mode should ensure the minimum pension amounts have been paid to members before 30 June. Remember this is half the normal minimum for the years ending 30 June 2022 & 2023;
- Discretionary trusts deriving high income might consider distributing income to a "Bucket Company" to help minimise tax However, keep in mind the restrictions on accessing such distributions;
- Trustee/s of discretionary trusts are required to prepare minutes of meetings advising the distribution of income to trust beneficiaries on or before 30 June of the relevant financial year; and
- Super contributions must be received by a fund before 30 June to be claimable in the current financial year (the ATO advise contributions via its Super Clearing House must be paid by 23rd June to make the 30th of June deadline).

Important Business Measures

Temporary Full Expensing

Introduced in the 2020-21 Budget and now extended until 30 June 2023 this measure allows businesses with an annual aggregated turnover under $50 million to deduct the full cost of eligible depreciating assets (subject to a range of exclusions including buildings, structural improvements, earthworks and some intangible assets such as trademarks and patents).

Temporary full expensing applies to both new and second-hand assets located and principally used in Australia and the deduction can be claimed when the asset is installed and/or ready for use by the end of the financial year. Unless using simplified depreciation, taxpayers can choose to opt out of temporary full expensing on an asset-by-asset basis (but the choice cannot be revoked).

Please confirm your eligibility before committing to any major capital acquisitions or asset financing.

Fuel Tax Credit Changes

The Government has temporarily halved the excise rates for petrol, diesel and all other petroleum-based products (except aviation fuels) for 6 months from 30 March 2022 until 28 September 2022. This has caused a reduction in the fuel tax credit rates for the same period.

In this 6-month period, businesses using fuel in heavy vehicles for travelling on public roads won't be able to claim fuel tax credits. This is because the road user charge exceeds the excise duty you'll pay, and this reduces the fuel tax credit rate to nil. For all other eligible uses the rate has halved.

You can find the updated fuel tax credit rates on the ATO website and their fuel tax credit calculator has been updated to apply the current rates.

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Budget Measures for Business

120% deduction for skills training from 29 March 2022 to 30 June 2024 and technology costs from 29 March to 30 June 2023

It's a good headline, spend $100 and get a $120 tax deduction. However, it's only an announcement and is not yet law. The position of the new Government on the matter is also unknown. We are yet to see draft legislation or detail to determine the practical application of the measure.

Superannuation Measures

Current Super Contribution Limits

The concessional super contributions limit (employer plus deductible personal super contributions) is $27,500 for those aged up to 67, or those aged 67 to 75 and satisfying the work test (working for 40 hours or more within a 30-day period in the year of contribution).

Non-concessional super contribution limit (also known as undeducted or tax-free super contributions) is $110,000. Subject to super balance limits, those aged less than 65 during a financial year can use the bring forward concession to make non-concessional contributions of up to $330,000. Note that there are restrictions on making non-concessional contributions if you have a high (or deemed high, due to receiving an untaxed government pension) super balance, so please double check your eligibility.

Carry-Forward Super Contributions

Those aged under 75 with a total super balance of less than $500,000 at the start of the financial year may make extra concessional contributions by accessing any unused concessional super contribution limits from 2018-19 onwards for up to 5 years. For example, a 2018-19 unused cap that is not used by the end of 2023-24 will expire. Those aged 67 to 75 must still satisfy the work test.

Changes on 1 July 2022

Super Guarantee Changes

- The SG rate will increase from 10% to 10.5% on 1 July 2022 and will continue to increase by 0.5% per year until it reaches 12% on 1 July 2025.
- $450/Month SG Threshold Removed. All employees aged 18 or over will need to be paid superannuation guarantee regardless of how much they earn.

Note: It is important to ensure your payroll system incorporates the two changes above, so you do not inadvertently underpay your superannuation obligations.

Super Contribution Changes

- From 1 July 2022, eligible individuals aged 60 years or older can choose to make a 'downsizer' contribution of up to $300,000 per person ($600,000 per couple) from the proceeds of selling their principal residence (if owned for 10 years or more).
- From 01 July 2022, the work-test has been scrapped for non-concessional contributions meaning all those aged under 75 can make non-concessional contributions under the same rules and contribution caps. The work test will still apply to personal deductible contribution for those aged between 67 and 75.

The material and contents provided in this publication are informative in nature only. It is not intended to be advice and you should not act specifically based on this information alone. Please contact our office with any specific accounting or taxation questions.