PRICE ROBERTS + CO
Chartered Accountants

# 2023 Tax & Superannuation Update

## Temporary full expensing changing to $20,000 small business instant asset write-off from 1 July 2023

Up to 30 June 2023 temporary full expensing allows businesses to bring forward their depreciation claims and therefore their deductions upfront into a single year rather than having the spread out over multiple years. There is no cost limit – the whole cost of the asset can be written off in the relevant year (cars are subject to the car limit of $64,741) provided the asset (which can be new or second-hand) is used or installed ready for use before 1 July 2023.

From 1 July 2023 to 30 June 2024 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. "Immediately deductible" means a tax deduction for the asset can be claimed in the same income year that the asset was purchased and used (or installed ready for use). If the business is registered for GST, the cost of the asset needs to be less than $20,000 after subtracting the GST credits that can be claimed for the asset. If the business is not registered for GST, it is $20,000 including GST. The write-off applies per asset, so a small business can deduct the cost of multiple assets. The rules only apply to assets that fall within the scope of the depreciation provisions.

Assets which are ineligible include:

- buildings and other capital works for which a deduction can be claimed under the Division 43 ITAA97 capital works provisions;
- trading stock;
- CGT assets;
- assets not used or located in Australia;
- assets not used for the principal purpose of carrying on a business;
- assets that sit in a low-value or software development pool; and
- certain primary production assets eligible for special depreciation (eg. conservation or conveyance of water, fencing, fodder storage and horticultural plants).

From 1 July 2023 assets valued at $20,000 or more (which cannot be immediately deducted) can continue to be placed into the small business simplified depreciation pool and depreciated at 15% in the first income year and 30% each income year thereafter.

Small business entities that are considering acquiring depreciating assets with a cost of $20,000 or more and business entities with aggregated turnover of $10 million or more should keep this cut-off date in mind as 30 June 2023 approaches.

## Confirmation of Notice of Intent for Super Deduction Required

In order to claim a tax deduction for a personal concessional super contribution you need to provide your super fund with a Notice of Intent to Claim a Deduction and importantly receive acknowledgement from your fund of the same.

## Year-End Tax Tips

- Subject to cash flow demands, consider deferring income close to year end by delaying invoicing;
- Small businesses (turnover less than $10m) may consider prepaying expenses (e.g., insurance, subscriptions and interest) for up to 12 months. in advance;
- Primary producers may consider making deductible Farm Management Deposits (a deferral


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of income as the proceeds are assessable when later withdrawn);
- 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 ("SMSF"s) in pension mode should ensure the minimum pension amounts have been paid to members before 30 June. Remember this is half the normal minimum;
- SMFS owning real estate are required to obtain an annual appraisal of the value of their property (capital value plus where a member or associated leases the property the annual lease value);
- 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;
- Trustees 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. No or ineffective minutes result in the trustee being assessed on all income and paying tax at the top marginal tax rate; 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

## SMSF Transfer Balance Account Reporting to be Quarterly

The introduction of a transfer balance cap ("TBC") from July 2017 limits how much an individual may transfer into pension phase within super (originally $1.6m but this has increased to $1.7m and will be $1.9m from 1 July 2023). To keep track of an individual's use of their TBC super fund's must report events (commencing a pension, lump sum withdraws from a pension and commencing a death benefit pension) by lodging a Transfer Balance Account Report ("TBAR"). Generally, TBARs are required to be lodged only once per year but from 1 July 2023 all SMSFs must lodge a TBAR within 28 days after the end of the quarter in which the TBC event has occurred (ie. by 28th October/January/April/July). Accordingly, it is particularly important to advise our office if you have started a pension or taken a lump sum withdrawal from a pension in your SMSF. We can then lodge a TBAR on your behalf.

*This publication is for general information only and is not to be considered advice.Please contact our office with any specific accounting or taxation questions.*



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