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End Of Year 2023 Reminders and Actions

In brief

Date	Changes and actions
1 July 2022	• New ATO approach for unpaid trust distributions owed to corporate beneficiaries.
30 November 2022	• Last day for pre-existing company directors that became a director on or before 31 October 2021 to acquire a Director Identification Number (30 November 2023 for directors of corporations under CATSI).
21 May 2023	• FBT return and payments due if applicable unless lodging electronically through a tax agent.
25 June 2023	• FBT return and payments due if lodging electronically through a tax agent.
30 June 2023	• Temporary full expensing for depreciating assets ends. • Loss carry back measures that allowed losses to be applied against prior year taxable profits ends. • 'Technology boost' scheduled to end.*
Pre-30 June 2023	• Review shareholder loan accounts and make minimum loan repayments (may need to declare dividends). - Companies • Pay superannuation to deduct contributions in the current financial year • Complete a stocktake where required (see *Do you need to do a stocktake?*). • Write-off bad debts and scrap any obsolete stock or plant and equipment. • Ensure any inter-entity management fees have been raised. • Trustee resolutions need to be in place to be able to distribute trust income for the 2022-23 financial year to beneficiaries

1 July 2023	• Super guarantee rate increases to 11%. • GST and PAYG uplift factors reduced to lower instalment amounts. • Small business instant asset write-off for depreciating assets costing less than $20,000 commences (subject to amending legislation). • $20,000 small business energy boost commences.*
14 July 2023	• Single touch payroll finalisation declarations need to be made (extensions can apply for closely held employees).
28 July 2023	• Quarterly super guarantee payment due (1 April – 30 June).
28 August 2023	• Taxable payments annual reports for payments to contractors due.
30 June 2024	• $20,000 small business energy boost scheduled to end.* • Skills & training boost scheduled to end.*
1 July 2024	• Super guarantee rate increases to 11.5%.

**Subject to legislation. Not yet law.*

What's new

Superannuation Guarantee increases to 11%

The Superannuation Guarantee (SG) rate will rise from 10.5% to 11% on 1 July 2023 and will continue to increase by 0.5% each year until it reaches 12% on 1 July 2025.

If you have employees, what this will mean depends on your employment agreements. If the employment agreement states the employee is paid on a 'total remuneration' basis (base plus SG and any other allowances), then their take home pay might be reduced by 0.5%. That is, a greater percentage of their total remuneration will be directed to their superannuation fund. For employees paid a rate plus superannuation, then their take home pay will remain the same and the 0.5% increase will be added to their SG payments.

Lowering tax instalments for small business – PAYG

As you know, PAYG instalments are the regular prepayments made during the year of your tax on business and investment income. The actual amount owing is then reconciled at the end of the income year when the tax return is lodged.

Normally, GST and PAYG instalment amounts are adjusted using a GDP adjustment or uplift. In 2022-23, the Government reduced this uplift factor to 2% instead of the 10% rate that would have applied. And now for 2023-24, the Government has set the uplift factor to 6% instead of the 12% rate that would have applied.

The 6% uplift rate will apply to small to medium enterprises eligible to use the relevant instalment methods for instalments for the 2023-24 income year:

- Up to $10 million annual aggregated turnover for GST instalments, and
- $50 million annual aggregated turnover for PAYG instalments

The effect of the change is that if you are using this PAYG instalment method, you will have more cash during the year to utilise. However, the actual amount of tax owing on the tax return will not change; just the amount you need to contribute during the year.

$20,000 small business incentives for energy efficiency

The Government has announced a Small Business Energy Incentive that provides an additional 20% deduction on the cost of eligible depreciating assets that support electrification and more efficient use of energy.

Up to $100,000 of total expenditure will be eligible with a maximum bonus deduction of $20,000.

The incentive is available to small and medium businesses with an aggregated annual turnover of less than $50 million.

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 such as electrifying heating and cooling systems, upgrading to more efficient fridges and induction cooktops, and installing batteries and heat pumps.

Some exclusions will apply including electric vehicles, renewable electricity generation assets, capital works, and assets that are not connected to the electricity grid and use fossil fuels.

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.

This initiative is not yet law. Please do not take action on the energy boost until it is confirmed. We will keep you up to date.

Claiming business expenses

On 30 June 2023, the temporary full expensing rules that enable small business to deduct the full cost of depreciable assets in the year of purchase, ends. Instead, the $20,000 instant asset write-off will apply from 1 July 2023. So, if there are assets your business intends to purchase with a cost of $20,000 or more, there is still a window of opportunity to take advantage of the temporary full expensing rules.

Temporary full expensing concludes on 30 June 2023

Temporary full expensing enables your business to fully expense the cost of:

- New depreciable assets
- Improvements to existing eligible assets

in the first year of use.

This measure enables an asset’s cost to be fully deductible upfront rather than being claimed over the asset’s life, regardless of the cost of the asset. The last day to utilise the expensing measures is 30 June 2023.

Certain expenditure is excluded from this measure, such as improvements to land or buildings that are not treated as plant or as separate depreciating assets in their own right. Expenditure on these improvements would still normally be claimed at 2.5% or 4% per year.

The car limit will continue to place a cap on the deductions that can be claimed for luxury cars (i.e., $64,741 in 2022-23).

Small business pooling

Small business entities (with aggregated annual turnover of less than $10 million) using the simplified depreciation rules can deduct the full balance of their simplified depreciation general pool at the end of the income year while full expensing applies. The provisions which prevent small businesses from re-entering the simplified depreciation regime for five years if they voluntarily leave the system are suspended.

Opt-out rules

Taxpayers can choose not to apply the temporary full expensing rules to specific assets, although this choice is not currently available to small business entities that choose to apply the simplified depreciation rules for the relevant income year.

$20k Instant asset write-off from 1 July 2023

As temporary full expensing expires at the end of this financial year, the ability for your business to fully expense the cost of purchasing depreciating assets is more restricted moving forward.

For depreciating assets that are acquired and first used in the 2023-24 income year, the Government in the recent 2023-24 Federal Budget announced a new instant asset write off threshold of $20,000 for small businesses with an aggregated annual turnover of less than $10 million.

Legislation enabling the instant asset write-off has not been introduced into Parliament and is not yet law.

Ability to 'carry back' losses against prior year profits ends – Companies only

Temporary loss carry back rules allow companies that have tax losses in the 2020, 2021, 2022 or 2023 income years to offset the losses against taxable profits made in the 2019, 2020, 2021 or 2022 income years.

This relief is in the form of a refundable tax offset that is claimed in the company tax return when it is lodged. To utilise the offset, the tax lodgements for the last 5 years need to be up to date.

The loss carry back rules are optional and a number of conditions need to be satisfied. The last year to utilise the loss carry back rules is the 2023 income year.

If this is relevant to your company, we will discuss with you whether to claim the prior year losses or carry them forward to future years and the implications of the decisions.

Contractor or employee?

Many business owners assume that if they hire independent contractors, they will not be responsible for PAYG withholding, superannuation guarantee, payroll tax and workers compensation obligations.

However, each set of rules operates a bit differently and in some cases, genuine contractors can be treated as if they were employees. Also, correctly classifying the employment relationship can be difficult and there are significant penalties that might apply if you get it wrong.

Following two landmark decisions handed down by the High Court, the ATO has issued a new draft ruling on determining whether a worker is an employee or an independent contractor.

The ATO has not disturbed the approach of looking at the totality of the relationship between the parties to determine this classification. What has changed is that, where the parties have entered into a written contract, the analysis to determine whether a worker is a contractor or employee should focus on the terms of that contract to establish the nature of that relationship (rather than the conduct of the parties). For example, if you are dealing with sub-contractors who are sole traders, merely labelling a worker as an independent contractor doesn't necessarily make it so if this is inconsistent with their rights and obligations under the contract. A genuine independent contractor will typically be:

- Autonomous rather than subservient in their decision-making;
- Financially self-reliant rather than economically dependent upon the business of another; and,
- Chasing profit (that is a return on risk) rather than simply a payment for the time, skill and effort provided.

Together with the updated draft ruling, the ATO has issued a draft compliance guide that sets out four risk categories. While the ATO looks at a number of factors, arrangements will tend to be viewed in a more favourable light where:

- There is evidence to show that you and the worker have agreed on the classification;
- There is evidence that you and the worker understand the consequences of the classification;
- The performance of the arrangement hasn't deviated significantly from the terms of the contract;
- Specific advice has been sought confirming that the classification is correct; and
- Tax, superannuation, and reporting obligations have been met when the worker is classified as an employee or independent contractor (whichever relevant).

If your business employs contractors, you should have a process in place to ensure the correct classification of employment arrangements and their risk rating under the draft compliance guide. These arrangements should also be reviewed over time.

Even when a worker is a genuine independent contractor, this doesn't necessarily mean that the business won't have at least some employment-like obligations to meet. For example, some contractors are deemed to be employees for superannuation guarantee and payroll tax purposes.

Skills, training and technology boost

While not yet law, legislation has been introduced to Parliament to enact the 'skills and training boost' and the 'technology boost'.

Both measures are intended to apply to businesses with an aggregated annual turnover of less than $50 million.

The skills and training boost provides a bonus deduction equal to 20% of eligible expenditure for external training provided to your workers. The additional deduction is available for expenditure incurred from 29 March 2022 until 30 June 2024.

The technology boost provides a bonus deduction equal to 20% of eligible expenditure on expenses and depreciating assets for the purposes of your digital operations or digitising your operations. The bonus deduction is limited to $20,000 (i.e., on eligible expenditure up to $100,000) and applies to expenditure incurred from 29 March 2022 until 30 June 2023.

While these measures have been introduced into Parliament, they are not law. If you have incurred expenses that could potentially qualify for the bonus deduction, please let us know.

The ATO's finalised stance on trust distributions – Trusts Only

In early 2022, the ATO released a package of draft guidance material that directly targets how trusts distribute income. These guidance materials have now been finalised.

While the ATO's stance in the finalised guidance has marginally softened, this is still an area that needs to be considered carefully.

Beneficiaries potentially impacted

The ATO's finalised guidance focuses primarily on distributions made to:

- Adult children
- Corporate beneficiaries, and
- Entities with losses outside the family group.

but the guidance is not confined to these particular situations.

Distributions to beneficiaries who are under a legal disability (e.g., children under 18) are excluded from these rules.

Actions

For discretionary trusts, it is important to ensure that all trust distribution arrangements are reviewed in light of the ATO's finalised guidance to determine the level of risk associated with the arrangements. It is also vital to ensure that appropriate documentation is in place to demonstrate how funds relating to trust distributions are being used or applied for the benefit of beneficiaries.

Family trust beneficiaries at risk

The tax legislation contains an integrity rule, section 100A, which is aimed at situations where income of a trust is appointed in favour of a beneficiary but the economic benefit of the distribution is provided to another individual or entity. If trust distributions are caught by section 100A, then this generally results in the trustee being taxed at penalty rates rather than the beneficiary being taxed at their own marginal tax rates.

The finalised guidance suggests that the ATO will be looking to apply section 100A to some arrangements that are commonly used for tax planning purposes by family groups. The result is a much smaller boundary on what is acceptable to the ATO, and as a result some family trusts are at risk of higher tax liabilities and penalties.

Section 100A excludes distributions to minors and arrangement that are part of an ordinary family or commercial dealing. It is the meaning of ordinary family or commercial dealing that the ATO has addressed and has warned that just because an arrangement is common practice, does not make it acceptable. For example, where an adult child beneficiary 'gifts' a family trust distribution to their parents.

The ATO's finalised guidance sets out three 'risk zones' – referred to as the white, green and red zones. Each zone determines the ATO's response:

White zone	Aimed at pre-1 July 2014 arrangements. The ATO will not look into these arrangements unless it is part of an ongoing investigation or for arrangements that continue after this date.
Green zone	Low risk arrangements unlikely to be reviewed by the ATO, assuming the arrangement is properly documented. For example, when a trust appoints income to an individual but the funds are paid into a joint bank account that the individual holds with their spouse then this would ordinarily be a low-risk scenario. Or, where the trust income appointed to the beneficiary is paid within two years and used for their own benefit. Another example of a low-risk arrangement is where the funds are retained by the trust and used as working capital in the trust's business and the beneficiary controls the trustee.
Red zone	High risk arrangements that will be reviewed in detail. These are arrangements the ATO suspects are designed to deliberately reduce tax, or where an individual or entity other than the beneficiary is receiving the benefit of the distribution.

Adult children

High on the ATO's list of red zone arrangements are where an adult child's entitlement to trust income is paid to a parent or other caregiver to reimburse them for expenses incurred before the adult child turned 18. For example, school fees at a private school. Or, where a loan (debit balance account) is provided by the trust to the adult child for expenses they incurred before they were 18 and the entitlement is used to pay off the loan.

Entities with losses outside the family group

Distributions from a trust to an entity with losses could also fall within the red zone where the beneficiary is not part of the same family group as the trust. If the economic benefit associated with the income that has been appointed to the entity with losses is utilised by the trust or another entity then section 100A could apply.

Circular arrangements

Circular arrangements could also fall within the scope of section 100A. For example, section 100A could be triggered if:

- The trustee resolves to appoint income to a company at the end of year 1.
- The company includes its share of the trust's net income in its assessable income for year 1 and pays tax at the corporate rate.
- The company pays a fully franked dividend to the trustee in year 2, sourced from the trust income, and the dividend forms part of the trust income and net income in year 2.
- The trustee makes the company presently entitled to some or all of the trust income at the end of year 2 (which might include the franked distribution).
- These steps are repeated in subsequent years.

Distributions to companies

As part of the broader package of guidance targeting trusts and trust distributions, the ATO has finalised its guidance dealing specifically with unpaid distributions owed by trusts to corporate beneficiaries. This finalised determination applies to unpaid distributions arising on or after 1 July 2022.

If the amount owed by the trust is deemed to be a loan, then it can potentially fall within the scope of the integrity provisions in Division 7A.

Division 7A captures situations where shareholders or their related parties access company profits in the form of loans, payments or forgiven debts. If certain steps are not taken, such as placing the loan under a complying loan agreement, these amounts can be treated as deemed unfranked dividends for tax purposes and taxable at the taxpayer's marginal tax rate.

The ATO's finalised guidance looks at when an unpaid entitlement to trust income will start being treated as a loan for Division 7A.

Under the ATO's final guidance, if a trustee resolves to appoint income to a corporate beneficiary, then the unpaid distribution will generally be treated as loan for Division 7A purposes when the trust accounts are finalised. This is normally after the end of the year in which the entitlement arose.

The timing of when a loan arises for Division 7A purposes is relevant in determining when a complying loan agreement needs to be put in place to prevent the full unpaid amount being treated as a deemed dividend for tax purposes and when the trust needs to start making principal and interest repayments to the company.

The ATO's view on "sub-trust arrangements" has also changed. Basically, the ATO is suggesting that sub-trust arrangements will no longer be effective in preventing an unpaid trust distribution from being treated as a loan for Division 7A purposes if the funds are used by the trust, shareholder of the company or any of their related parties. This effectively limits when "sub-trust arrangements" can be used.

For many trusts, the new guidance may not have much of an impact. For others and especially those using "sub-trust" arrangements, the management of unpaid entitlements will need to be reviewed.

Areas of ATO scrutiny

Warning: Companies entitled to trust income – Companies Only

The ATO has finalised its guidance on unpaid distributions owed by trusts to companies. If the amount owed by the trust is deemed to be a loan then it can potentially fall within the scope of the integrity provisions in Division 7A. That is, if the trust does not physically pay a distribution owed to your company by the time the tax return is lodged (or due for lodgement), the ATO may consider the unpaid distribution to be loan and if there is not a loan agreement in place by the relevant deadline, then the company will be taxed on the unpaid distribution.

The ATO's guidance applies to unpaid distributions arising on or after 1 July 2022. It looks at when an unpaid entitlement to trust income will start being treated as a loan to the company.

Under the ATO's final guidance, if a trustee resolves to appoint income to a corporate beneficiary, then the unpaid distribution will generally be treated as loan for Division 7A when the trust accounts are finalised. This is normally after the end of the year in which the entitlement arose.

This is largely consistent with the approach that has applied in the past and its only in limited circumstances where a loan for Division 7A purposes might arise in the year the entitlement arises.

The timing of when a loan arises for Division 7A purposes is relevant in determining when a complying loan agreement needs to be put in place to prevent the full unpaid amount being treated as a deemed dividend for tax purposes and when the trust needs to start making principal and interest repayments to the company.

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For many trusts, the new guidance may not have much of an impact. For others, and especially those using "sub-trust" arrangements, the management of unpaid entitlements will need to be reviewed.

Profits of professional services firms

If your company operates a professional services firm, it is important to understand the implications of finalised guidance from the ATO that applies from 1 July 2022.

The ATO takes a strong stance on how the profits of professional services firms are structured and how profits flow through to the professionals involved. The ATO is specifically concerned with structures designed to divert income so the professional ends up receiving very little income directly for their work, reducing their taxable income.

If these structures appear to be in place to divert income to create a tax benefit for the professional, Part IVA may apply. Part IVA is an integrity rule that allows the Commissioner to remove any tax benefit received by a taxpayer where they entered into an arrangement in a contrived manner in order to obtain a tax benefit. Part IVA may apply to schemes designed to ensure that the professional is not appropriately rewarded for the services they provide to the business, or that they receive a reward which is substantially less than the value of those services.

The ATO guidance sets out a series of tests to identify a practitioner's risk level, looking at the structure of the business and how profits are distributed, and whether the structure has any high risk features.

For professional services firms, it is important to understand the risk level for each principal practitioner separately.

If you are concerned about your position, please contact us.

Financial 'housekeeping'

Having trouble with tax debt?

If you are having trouble paying your tax liability, please let us know as soon as possible so we can negotiate a deferral or payment plan with the ATO on your behalf.

Small business lodgement penalty amnesty

Small businesses with an aggregated turnover of less than $10m can access a lodgement penalty amnesty program. The amnesty applies to tax obligations, including income tax and business activity statements, that were originally due from 1 December 2019 and 28 February 2022. If those returns are lodged between 1 June 2023 and 31 December 2023, any failure to lodge penalty applying to the late lodgement will be automatically remitted.

Reporting payments to contractors

The taxable payments reporting system requires businesses in certain industries to report payments they make to contractors (individual and total for the year) to the ATO. 'Payment' means any form of consideration including non-cash benefits and constructive payments. Taxable payments reporting is required for:

- Building and construction services
- Cleaning services
- Courier services
- Information technology (IT) services
- Road freight services
- Security, investigation or surveillance services
- Mixed services (providing one or more of the services listed above)

The annual report is due by 28 August 2023.

Shareholder loans – Companies only

Division 7A is a section of the tax law that ensures shareholders don't access company profits in a way that circumvents income tax.

If any loans or payments have been made to shareholders, or debts forgiven, these amounts generally need to be put under a complying loan agreement or paid back before the earlier of the due date and actual lodgement date of the company's tax return to prevent a deemed unfranked dividend from being triggered.

To be a complying loan agreement the agreement requires minimum annual repayments to be made over a set period of time and there is a minimum benchmark interest rate that applies – currently 4.77% for 2022-23.

If the money is not paid back and there is not a loan agreement in place, the amount is treated as a deemed unfranked dividend and taxable at the taxpayer's marginal tax rate.

Director ID regime

The recently introduced director ID regime prevents the use of false and fraudulent director identities.

All those who were directors on or before 31 October 2021 must now have a Director ID (30 November 2023 for directors of corporations under CATSI). Unregistered directors face criminal penalties of up to $16,500 and civil penalties of up to $ 1,375,000.

All incoming directors must have a director ID **prior** to their appointment as a director.

Trust distributions - Trusts Only

Validity of trust distributions

A recent Supreme Court case provides a warning around trust distribution decisions.

The court found the trustee had failed to give real and genuine consideration to the position of the two beneficiaries of a discretionary trust. Those certain beneficiaries were largely estranged from the family and did not receive trust distributions for the relevant years.

The distributions were found to be invalid and this case has potential ramifications for trustees exercising their discretion in appointing trust income, especially where some beneficiaries are being excluded due to personal relationships. In turn, if the trust distributions are found be invalid, this could have follow-on tax implications.

Timing of resolutions

Trustees (or directors of a trustee company) need to consider and decide on the distributions they plan to make by 30 June 2023 at the latest (the trust deed may actually require this to be done earlier).

Decisions made by the trustees should be documented in writing, preferably by 30 June 2023.

If valid resolutions are not in place by 30 June 2023, the risk is that the taxable income of the trust will be assessed in the hands of a default beneficiary (if the trust deed provides for this) or the trustee (in which case the highest marginal rate of tax would normally apply).

Anti-avoidance and 'round robin' trust distributions

Anti-avoidance measures prevent family trusts engaging in 'round robin' circular trust distributions with other closely held trusts.

The rules impose penalty rates of tax in situations where trust income is distributed to one or more other trusts and ends up being distributed back to the first trust. Before 1 July 2019, trusts that had made a family trust election were excluded from these rules but that is no longer the case.

Distributions to non-resident beneficiaries

In some circumstances, non-resident beneficiaries can be taxed in Australia on gains relating to foreign assets, which would not have been taxed in Australia had they been made by the beneficiary directly.

If a resident discretionary trust makes a capital gain, the ATO expects that this will normally be taxed in Australia, even if the gain is distributed to a non-resident beneficiary, even if the gain does not relate to Taxable Australian Property (TAP) and even if the gain has a foreign source. Given that non-resident beneficiaries will be taxed at non-resident tax rates and may not have access to the full CGT discount, it will be important for trustees to consider this carefully when deciding on distributions for trusts that have a mixture of resident and non-resident beneficiaries.

The ATO's determinations do not take into account the possible application of any double tax agreements. This is another issue that would need to be considered to reach a conclusion on how distributions are likely to be taxed in the hands of non-resident beneficiaries.

Low income tax offset and minors reminder

The low income offset has not been available to minors who only receive 'unearned' income (e.g. distributions from a discretionary trust) since the 2013 income year. Minors who only receive 'unearned' income will normally be subject to penalty rates of tax on income that exceeds $416.

Normal marginal tax rates can potentially still apply to minors who receive distributions from a deceased estate or testamentary trust. However, recent amendments to the rules in this area are aimed at ensuring that minors are only taxed at adult marginal tax rates in respect of the income a testamentary trust generates from assets of the deceased estate (or the proceeds of the disposal or investment of these assets).

Streaming of franked dividends and capital gains

Trustees are only able to stream franked dividends (and the franking credits that are attached to those dividends) to a particular beneficiary for tax purposes if the beneficiary's entitlement to the franked dividends is recorded in writing by 30 June 2023. For streaming of capital gains to be effective for tax purposes, the beneficiary's entitlement must be recorded in writing by 30 June if the capital gains form part of trust income for the year or 31 August if the capital gains do not form part of trust income.

We can assist you with this process if you do wish to stream franked dividends or capital gains to specific beneficiaries.

Tax exempt entities

If a trustee resolves to distribute income to a tax-exempt entity, the trustee will be assessed on that income at the top marginal tax rate unless:

- The trustee actually pays the entire distribution within 2 months of the end of the income year; or
- The trustee notifies the entity in writing of its entitlement within 2 months of the end of the income year.

Also, anti-avoidance rules tax the trustee on a portion of the income distributed to a tax-exempt entity where there is a mismatch between the net financial benefit to be received by the entity and the tax treatment of the distribution.

Before you roll-over your software…

Before rolling over your accounting software for the new financial year, make sure you:

- Prepare your financial year-end accounts. This way, any problems can be rectified and you have a 'clean slate' for the 2023-24 year. Once rolled over, the software cannot be amended.
- Do not perform a Payroll Year End function until you are sure that your STP finalisation declaration is correct and printed. Always perform a payroll back-up before you roll over the year.

Employee reporting

Single touch payroll

For payments to employees through single touch payroll (STP), a finalisation declaration generally needs to be made by 14 July 2023. However, there are some exceptions to this.

If your business has 20 or more employees and some of them are closely held employees (relatives for example), then the finalisation declaration for the closely held employees needs to be made by 30 September.

If your business has 19 or fewer employees and they are only closely held employees, the finalisation declaration should be made by the due date for lodgement of the tax return of the relevant employee.

Employees will be able to access their Income Statement through their myGov account.

Closely held payees

Payments to closely held payees can be reported through STP in one of three ways:

- Reporting actual payments in real time - reporting each payment to a closely held payee on or before each pay event (essentially using STP 'as normal').
- Reporting actual payments quarterly - lodging a quarterly STP statement detailing these payments for the quarter, with the statement due when the activity statement is due.
- Reporting a reasonable estimate quarterly - lodging a quarterly STP statement estimating reasonable year-to-date amounts paid to employees, with the statement due when the activity statement is due.

Small employers that have arm's length employees must report STP information on or before each payday regardless of the method that is chosen for reporting payments to closely held payees.

If your business has closely held employees, it will be important to plan throughout the year to prevent problems occurring at year end.

Reportable Fringe Benefits

Where you have provided fringe benefits to your employees in excess of $2,000, you need to report the FBT grossed-up amount. This is referred to as a `Reportable Fringe Benefit Amount' (RFBA).

Do you need to do a stocktake?

Businesses that buy and sell stock generally need to do a stocktake at the end of each financial year as the increase or decrease in the value of stock is included when calculating the taxable income of your business.

If your business has an aggregated turnover below $50 million, you can use the simplified trading stock rules. Under these rules, you can choose not to conduct a stocktake for tax purposes if the difference in value between the opening value of your trading stock and a reasonable estimate of the closing value of trading stock at the end of the income year is less than $5,000. You will need to record how you determined the value of trading stock on hand.

If you do need to complete a stocktake, you can choose one of three methods to value trading stock:

- **Cost price** – all costs connected with the stock including freight, customs duty, and if manufacturing, labour and materials, plus a portion of fixed and variable factory overheads, etc.
- **Market selling value** - the current value of the stock you sell in the normal course of business (but not at a reduced value when you are forced to sell it).
- **Replacement value** - the price of a substantially similar replacement item in a normal market on the last day of the income year.

A different basis can be chosen for each class of stock or for individual items within a particular class of stock. This provides an opportunity to minimise the trading stock adjustment at year-end. There is no need to use the same method every year; you can choose the most tax effective option each year. The most obvious example is where the stock can be valued below its purchase price because of market conditions or damage that has occurred to the stock. This should give rise to a deduction even though the loss has not yet been incurred.

Top tax tips

1. Declare dividends to pay any outstanding shareholder loan accounts

If your company has advanced funds to a shareholder or related party, paid expenses or allowed a shareholder or other related party to use assets owned by the company, then this can be treated as a taxable dividend. The regulators expect that top-up tax (if any applies) should be paid by shareholders at their marginal tax rate once they have access to these profits. This is unless a complying loan agreement is in place.

If you have any shareholder loan accounts from prior years that were placed under complying loan agreements, the minimum loan repayments need to be made by 30 June 2023. It may be necessary for the company to declare dividends before 30 June 2023 to make these loan repayments.

The tax rules in this area can be extraordinarily complex and can lead to some very harsh tax outcomes. It is important to talk to us as soon as possible if you think your company has made payments or advanced funds to shareholders or related parties.

2. Directors' fees and employee bonuses

Any expected directors' fees and employee bonuses may be deductible for the 2022-23 financial year if you have 'definitely committed' to the payment of a quantified amount by 30 June 2023, even if the fee or bonus is paid to the employee or director after 30 June 2023.

You would generally be definitely committed to the payment by year-end if the directors pass a properly authorised resolution to make the payment by year-end. The employer should also notify the employee of their entitlement to the payment or bonus before year-end.

The accrued directors' fees and bonuses need to be paid within a reasonable time period after year-end.

3. Write-off bad debts

To be a bad debt, you need to have brought the income to account as assessable income and given up all attempts to recover the debt. It needs to be written off your debtors' ledger by 30 June. If you don't maintain a debtors' ledger, a director's minute confirming the write-off is a good idea.

4. Review your asset register and scrap any obsolete plant

Check to see if obsolete plant and equipment is sitting on your depreciation schedule. Rather than depreciating a small amount each year, if the plant has become obsolete, scrap it and write it off before 30 June. Small business entities can choose to pool their assets and claim one deduction for each pool. This means you only have to do one calculation for the pool rather than for each asset.

5. Bring forward repairs, consumables, trade gifts or donations

To claim a deduction for the 2022-23 financial year, consider paying for any required repairs, replenishing consumable supplies, trade gifts or donations before 30 June.

6. Pay June quarter employee super contributions now

Pay June quarter super contributions this financial year if you want to claim a tax deduction in the current year. The next quarterly superannuation guarantee payment is due on 28 July 2023. However, some employers choose to make the payment early to bring forward the tax deduction instead of waiting another 12 months. **Make payment BEFORE June 20 to ensure a deduction is available**.

Don't forget yourself. Superannuation can be a great way to get tax relief and still build your personal wealth. Your personal or company sponsored contributions need to be received by the fund before 30 June to be deductible.

7. Realise any capital losses and reduce gains

Neutralise the tax effect of any capital gains you have made during the year by realising any capital losses – that is, sell the asset and lock in the capital loss. These need to be genuine transactions to be effective for tax purposes.

What we need from you

This is a general list of what to have ready when we next meet with you:

- Accounts data file access (MYOB, Quickbooks, Xero, etc.,)
- Debtors & creditors reconciliation
- Stocktake if applicable (or if your business is a Small Business Entity, use the simplified trading stock rules mentioned above)
- 30 June bank statements on all relevant loan documents
- Documents on new assets bought or sold, including the date you entered the contract and the date the asset was first used or installed ready for use
- Details of any grants or disaster loans received
- Details of any insurance payouts for your business or business premises
- Payroll reconciliation
- Superannuation reconciliation
- Cash book (if applicable)
- Details of any transactions involving cryptocurrency (e.g., Bitcoin, NFTs)
- 30 June statements on any investment or operating accounts and credit card accounts

And, if we are preparing your individual income tax return:

- Work from home diary
- Electric car details
- Income Statement
- Tax statements of managed investment funds
- Interest income from banks and building societies
- Dividend statements for dividends received
- For share sales or purchases, the purchase and sale contract notes
- For real estate sales or purchases, the solicitor's correspondence for the purchase and sale
- Rental property statements from real estate agent and details of other expenditure incurred
- Work related expenses
- Self-education expenses
- Travel expenses
- Donations to charities

- Health insurance and rebate entitlement
- Family Tax Benefits received
- Commonwealth assistance notices
- IAS statements or details of PAYG Instalments paid
- Details of any transactions involving cryptocurrency (e.g., Bitcoin, NFTs)
- Details of any income derived from participating in the sharing economy (e.g., Uber driving, rent from AirBNB, jobs completed through Airtasker etc.,)