

2020 Year-End Tax Planning Guide



To minimize your taxation liability for the current year, some options are:

- Delay deriving assessable income (i.e. payment after 30 June can mean income is treated as next year's)

NOTE: THIS MUST NOT BE CONTRIVED FOR JOBKEEPER ENROLMENT!

- Bring forward paying deductible expenses or losses
- Pre-pay next year's expenses (beware of the 12 Month Rule)
- Move income to a taxpayer with a lower marginal tax rate (e.g. your Super Fund)
- Negative Gearing strategies (extreme caution is required)
- Depreciation Schedules for Rental Property investments

A reduced taxable income can also have the effect of allowing receipt of Government benefits which are "income tested" e.g. family allowance, child day care fee relief etc.

Note: The circumstances under which the above principles can be applied are limited by certain conditions placed on taxpayers by the legislation e.g. not all pre-payments will be allowable as tax deductions; and some types of income can't be shifted

CONSIDER THE FOLLOWING ITEMS:

Small Business Concessions: (turnover less than \$10 million)

The government has increased "immediate write-off" of asset purchases from \$30,000 to \$150,000, including allowing the immediate deduction of the balance of the "depreciation pool" if the balance is less than \$150,000, before the current year's depreciation write-off.

- Remember, use a General Small Business Pool to calculate depreciation and get 57.5% depreciation in Year 1 irrespective of the purchase date: and 30% depreciation of remaining balances each year thereafter.

Note: Applies for assets first used or installed ready for use on or after 12 March 2020 until 30 June 2021. There are limitations for passenger Motor Vehicle.

Other Year-End Issues

If you use a car in producing your income

- Record Motor Vehicle Odometer reading at 30 June.
- Prepare a 12-week log book if the existing log book is older than 5 years
- Record kilometers travelled to enable use of Cents per Kilometers method; it's a flat rate of 68 cents per km for 2019-20

If you have other work-related deductible expenses

- Locate your documentary evidence to substantiate the expenditure e.g. receipt; or bank statement; or credit card statement.

If you have started an account - based pension

- Ensure that you have withdrawn the annual minimum required

Superannuation Co-Contribution

- Individuals may be entitled to a Government Co-Contribution if they make an undeducted contribution- conditions apply

If you expect a tax refund you must nominate a bank account to which the ATO can electronically transfer your refund (i.e. no more cheques)

If you operate a business the year-end options are far more extensive

- See overleaf for some suggestions; or sit with a staff member for a free, no obligation, 30 minute discussion.



666c Pittwater Rd, BROOKVALE NSW 2100

T: (02) 9939 4004 – F: (02) 9905 0162

E: info@taxland.com.au

W: www.taxland.com.au

www.facebook.com/taxlandssydney

DO NOT PAY MORE TAX THAN YOU NEED TO!

Income Delay

- Timing of derivation of income
- Timing of raising an invoice for incomplete work

NOTE: THIS MUST NOT BE CONTRIVED FOR JOBKEEPER ENROLMENT!

Bringing Forward Deductible Expenses or Losses (conditions apply)

- Insurance
- Rent
- Advertising
- Interest
- Capital gains/losses (timing of transactions based on Contract Date and not Settlement Date)

Businesses should also consider:

- Stock valuation options
- Writing off obsolete stock/plant
- Bad debt write-offs
- Paying the Compulsory Employee Super payment before 30 June
- Paying the last week/month of the year's wages/bonuses before 30 June
- Bringing forward repairs and maintenance before 30 June

From 1 July 2020:

The Compulsory Super Guarantee rate stays at 9.50% for the 2020-21 year up to a new maximum superannuation contribution base of \$57,090 per quarter, or \$228,360 annually.

If you would like to go through the possibilities, please call us; or simply come in!



OUR ADDED-VALUE SERVICE MEANS EVERYONE IS A WINNER AT TAXLAND; NO MORE TALKING TO "PREPARERS", SEE THE REAL McCOY! OUR STAFF ARE REGISTERED TAX AGENTS AND PUBLIC ACCOUNTANTS

If you are in business or earn your income through a company or a trust, consider the following:

- **Prepayment of Expenses**
 - In certain circumstances expenses paid before they are due will be tax deductible when they are paid, e.g. insurance premiums; membership of organizations; travel; advertising; and interest.
- **Award Superannuation and/or Superannuation Guarantee Charge**
 - The deadline for employers to pay superannuation guarantee contributions for the 2019-20 financial year is 28 July 2020. However, if you want a tax deduction in the 2019-20 year you must pay by 30 June 2020.
- **The rules regarding trustee distribution resolutions**
 - Trustees must make the resolution and have evidence of this by 30 June 2020 at the latest, otherwise the ATO will deem that no resolution has been made. The result would likely be that the Trustee is assessed on the income, resulting in tax being payable at 47.0%
 - The ATO must be notified of any new beneficiary Tax File Number (TFN Report) by the last day of the month following the end of the quarter (e.g. 31 July, 2020)
- **Is your Loan Account in your business in debt to the business? (i.e. a debit balance means you owe the business-Beware!)**
 - Will the interest be tax deductible? Will your drawings be considered a deemed dividend? Have you paid at least the annual minimum payment required for your Div7A loan?
- **Preparation of Stock Count Working Papers**
- **Preparation and reconciliation of PAYG statements**