

2021 Year-End Tax Planning Guide



Some Tax Liability minimization 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 or HARDSHIP GRANTS!
- 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

Reduced taxable income may also affect Government benefits e.g. family allowance, child day care fee relief etc.

Note: Legislative conditions may limit the application of the above principles e.g. not all pre-payments will be allowable tax deductions; and some types of income can't be shifted

CONSIDER THE FOLLOWING ITEMS:

Small Business Concessions: (previously turnover less than \$10 million, increased to turnover less than \$50 million from 7:30pm 6 October 2020)

- **Immediate Asset Write-off (IAWO)** up to \$150,000 applies for purchases of depreciating assets by 31 December 2020, including immediate write-off of Small Business "depreciation" Pool balance less than \$150,000 (before the current year's depreciation write-off)
- From 7:30pm 6 October 2020 "**Temporary Full Expensing**" applies to purchases of depreciating assets first used or installed by 30 June 2022

There is a limit of \$59,136 for a passenger vehicle, but not for a commercial vehicle.

Company Tax Rates: For companies that are base-rate entities (i.e. 80% of less of income is "passive") the company tax-rate decreased from 27.5% to 26.0% for 2020-21, with a further decrease to 25.0% for 2021-22

Other Year-End Issues

If you use a car in producing your income

- Record Motor Vehicle Odometer reading at 30 June **every year**
- Prepare a 12-week log book if the existing log book is more than 5 years old
- Record kilometers travelled to enable use of Cents per Kilometers method; it's a flat rate of 72 cents per km for 2020-21

If you have other work-related deductible expenses

- Locate your documentation to substantiate the expenditure i.e. **a receipt**. Note: a bank statement or credit card statement may not be sufficient.

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- Ensure that you have withdrawn the annual minimum required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)

Irrespective of whether you expect a tax refund, or not, you must nominate a bank account to which the ATO can electronically transfer money to you

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.



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DO NOT PAY MORE TAX THAN YOU NEED TO!

Income Delay

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

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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

From 1 July 2021:

The Compulsory Super Guarantee rate increases to 10.0% for the 2021-22 year up to a new maximum superannuation contribution base of \$58,920 per quarter, or \$235,680 annually.

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



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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 2020-21 financial year is 28 July 2021. However, if you want a tax deduction in the 2020-21 year you must pay by 30 June 2021.
- **The rules regarding trustee distribution resolutions**
 - Trustees must make the resolution and have evidence of this by 30 June 2021 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, 2021)
- **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, reconciliation and finalization of STP Reporting**