

# BusinessPlus+ Newsletter



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## End Of Year Tax Planning – June 2020

### A. The 2020 Financial Year is coming to an end

This special edition of the Business Plus Newsletter contains commentary on many of the items you may encounter as part of your end of financial year deliberations. Please contact us for a copy of our End of Financial Year Tax Planning Paper and Checklist. Both will assist you in identifying items which you might like to discuss with us.

The Australian government's 2020/21 Budget has been delayed because of the COVID-19 coronavirus and will not be presented to Parliament until 6th October 2020.

### B. End of Year Tips

**Prepayments** – if your business' turnover is under \$10 million for the year, consider any prepayments that you could make prior to 30th June 2020.

**Instant Asset Write Off** – if your business had an annual turnover of less than \$50 million, you can write off expenditure on individual items acquired in the period 1st July 2019 to 11th March 2020 up to a value of \$30,000.

The Australian government changed the Instant Asset Write Off Rules on 12th March 2020. From 12th March 2020 until 30th June 2020, you can write off expenditure on individual items installed and ready for use by 30th June 2020 up to a value of \$150,000, if your business has an annual turnover of less than \$500 million.

The Federal Treasurer announced, on 9th June 2020, that the Instant Asset Write Off would be extended from 1st July 2020 to 31st December 2020.

From 1st January 2021, the Instant Asset Write Off amount reverts to \$1,000 per individual item for businesses with turnovers of less than \$10 million.

## C. Taxing of Trading Income

There are two forms of taxation treatment for trading income, depending on whether the business is assessed on a:

- “Cash” basis – businesses are assessed when income is received and payments are deductible when they are paid, if the business' income is under \$10 million for the year (See [Section D](#)).
- “Accruals” basis – businesses are assessed when a legally recoverable debt arises, usually at the point of invoicing and payments are deductible when the supplier's invoice is received and entered into the business' accounting books, irrespective of the date of payment (See [Section D](#)).

## D. Small Business Entities

- Aggregated turnover (relates to annual turnover received by your business, plus the annual turnover of any business connected to you or that is an affiliate of yours) of less than \$10 million. “Aggregated turnover” is calculated on a group basis and must be “business income”. Please ignore this section if it is not applicable to you. In that case if you are in business, please refer to Section J “Entities Not Defined as Small Business”.
- The Small Business Entity Rules apply to a sole trader, partnership, company or trust which has a group turnover of less than \$10 million in the previous year, or likely to be less than \$10 million in the current year.

### Depreciation Rules

In the period 1st July 2019 to 11th March 2020 a small business taxpayer can immediately write off the cost of new or second-hand assets costing up to \$30,000.

In the period 12th March 2020 to 30th June 2020 a small business taxpayer can immediately write off the cost of a new or second-hand asset costing up to \$150,000, subject to those assets having been purchased and installed ready for use by 30th June 2020. On 9th June 2020, the Federal Treasurer announced that the Instant Asset Write Off for individual assets costing up to \$150,000 would be extended to 31st December 2020.

The \$150,000 instant asset write off deduction does not apply to the purchase of a car (a passenger vehicle, except a motorcycle or similar vehicle, designed to carry a load less than one tonne and fewer than 9 passengers). The instant asset write-off is limited to the business portion of the car limit of \$57,581. If the car cost more than \$57,581 you cannot claim the excess cost of the car under any other depreciation rules.

The Australian government announced an accelerated rate of depreciation of 50% for businesses with turnover under \$500 million on 12th March 2020 which applies to new assets not previously held by another entity that were first used or first installed ready for use after 12th March 2020.

If you are a small business with an aggregated turnover of less than \$10 million and use the simplified depreciation rules, those assets over the instant asset threshold which are eligible for the accelerator depreciation, are added to the general small business pool. You can deduct an amount equal to 57.5% (rather than 15%) of the business portion of a new depreciating asset in the year you add it to the pool. In later years, the asset will be depreciated under the general small business pool rules.

For assets that were acquired in the period 1st July 2019 to 11th March 2020 and the assets cost more than \$30,000, the asset can be placed into the small business simplified depreciation pool, depreciated at 15% in the first income year and 30% each income year thereafter.

### Prepayments

Small business entity taxpayers are entitled to a deduction for prepayments where the relevant services will be wholly provided within 12 months of the date of expenditure, such as office supplies, stationery, rent and advertising etc.

### General Deductions

- Staff Bonuses – ensure a cheque has been written or payments made prior to 30th June 2020 and PAYG withholding tax deducted.
- Staff Holidays – where practical, encourage staff to take holidays prior to 30th June 2020 or when cashing in holidays, the payment is made before 30th June 2020.
- Superannuation – for the year ending 30th June 2020, superannuation contributions can be paid for any eligible person:
  - Up to 65 years of age – \$25,000 maximum cap
  - People aged 65 – 74 must be working for a minimum of 40 hours in any 30 consecutive day period to make voluntary contributions to their superannuation account. This is known as the “Superannuation Work Test”.

- Self-Employed Persons – self-employed persons can obtain a superannuation deduction on the same basis as that adopted for employees.
- Salary Sacrifice Arrangements – salary sacrifice arrangements can be utilised to maximise superannuation contributions subject to the overall deduction limits.
- Non-Concessional Contributions – the non-concessional contributions cap is \$100,000 for 2019/20. If you are aged under 65, the bring-forward rule lets you make up to \$300,000 of non-concessional contributions over 3 years. If you are aged 65 to 74 you can make voluntary superannuation contributions in the first year after you retire without satisfying the work test, if you have less than \$300,000 in your superannuation account at the end of the previous financial year. You can only have \$1.6 million in superannuation in retirement funds used to commence a retirement income stream. (Taxation on earnings of a superannuation fund in retirement income stream is 0%).
- Superannuation Minimum Contributions – superannuation contributions must be paid for all eligible employees who are paid, at least, \$450 gross per month. Payments for employee's superannuation via the Super Clearing House, must be paid by no later than 23 June 2020 to ensure they will be deductible for the 2020 financial year.
- Interest on Loan Funds – interest can be claimed on loans taken out for business purposes or to purchase income producing properties and shares in companies.
- Repairs and Maintenance – ensure that the work has been completed prior to 30th June 2020.
- Directors' Fees – ensure cheques are drawn for payments made prior to 30th June 2020 and that PAYG Withholding Tax is deducted.
- Travel Deductions:
  - Overseas – prepare a full itinerary and diary
  - Local – away for more than 6 nights, you are required to maintain a diary
 A ban on travel related tax deductions for most real estate investors now applies.
- Motor Vehicle Expenses – there are two methods available to calculate tax deductions for work-related motor vehicle expenses:
  - Cents Per Kilometre – \$0.68 per kilometre (can claim up to a maximum of 5,000 business kilometres per vehicle per annum)
  - Logbook Method – you can claim your actual business kilometres as a percentage of the total kilometres that the motor vehicle has travelled and then use that percentage as the claimable percentage of the total motor vehicle expenses incurred.
- Donations – any promised tax-deductible donations should be made prior to 30th June 2020.
- Borrowing Costs – borrowing costs can be claimed over the shorter of five years or the term of the loan.
- Entertainment – is not deductible unless it is provided as a fringe benefit and Fringe Benefit Taxes have been paid.
- Gifts – ensure payment is made to a tax-deductible charity on or before 30th June 2020.
- Audit Fees – deductible if there is a contract that creates a presently existing liability before 30th June 2020.
- Salary Packages – ensure salary packages are negotiated and documented for 2020/21 prior to 30th June 2020.
- Legal costs – review any legal costs that have been incurred. If the legal costs relate to regular business operations (e.g. debt collection), separate those legal costs from the remaining legal costs which will relate to capital items which are not claimable for income tax purposes.
- Luxury Car Tax – the Luxury Car Tax is 33% and applies to the GST-inclusive value in excess of \$67,525 (including GST). The Luxury Car Tax for "fuel efficient vehicles" applies from a cost of \$75,526 (including GST).
- Research and Development expenditure for companies with turnovers under \$20 million – a company will receive the benefit of a research and development tax incentive offset calculated at 43.5% of the eligible research and development expenditure spent during 2019/20. For companies with turnovers under \$20 million, the tax offset can be paid to the company by the Australian Taxation Office within 30 days of lodgement of the company's income tax return, if the company elects to receive this payment in the company's income tax return. It is important to note that, for the research and development claims in respect of the year ended 30th June 2020, the company must register with AusIndustry by 30th September 2020 (extended because of COVID-19 coronavirus from 30th April 2020).

The Department of Industry, Innovation and Science has announced that, because many businesses are facing difficult economic circumstances due to the recent bushfires and COVID-19, the department will accept a "Provisional Advance" for an Overseas Finding Application for the 1st July 2019 – 30th June 2020 income year, by 30th June 2020.

The minimum details required in a "Provisional Advance" for an Overseas Finding Application are:

- company contact details
- descriptive name/title of claimed research and development activities

The further information required to assess the application will be required to be lodged with the Department of Industry, Innovation and Science (AusIndustry) by 30th September 2020.

## Stock

Trading Stock Rules – small business entities (turnover under \$10 million) do not have to account for changes in trading stock or prepare a stocktake for taxation purposes, where the difference between the opening value of stock and a reasonable estimate of the closing stock is \$5,000 or less.

### E. Stock – All Businesses

- Stock on Hand – review stocktake list in early June 2020. Determine whether to conduct “sales” prior to 30th June 2020. Conduct stocktake as at 30th June 2020. If you are conducting regular “rolling” stocktakes throughout the year, it may not be necessary to conduct a stocktake as at 30th June 2020. Stocktaking may not be necessary if you are a small business entity (refer Section D – Trading Stock Rules).
- Value of Stock – stock can be valued at different individual methods for each item of stock:
  - Cost
  - Sale Value
  - Lower of Market Value or Replacement Cost
- Obsolete Stock – identify any obsolete stock and decide whether to clear or dump that stock prior to stocktake.

### F. Assets

- Fixed Assets – determine if there are any benefits in scrapping any fixed assets to obtain a tax write off prior to 30th June 2020.

### G. Employment Issues

- Payment Summaries – if you're using the Single Touch Payroll (STP) you will be exempt from issuing payment summaries to your employees if you have made a “finalisation declaration”. The payment summaries will be made available to your employees online through myGov. The finalisation declaration requires the employer to declare that all of the information relating to the financial year for each employee has been provided through your STP reporting. Finalisation declarations lodgement requirements:
  - Employers with 20 or more employees will have until 14th July 2020.
  - Employers with 19 or less employees will have until 31st July 2020.
- Payment Summaries - if you are not using Single Touch Payroll (STP) – must be prepared and sent to all employees by 14th July 2020.
- PAYG Withholding Tax – if you are not using Single Touch Payroll (STP) – the annual summary is due to be lodged with the Australian Taxation Office by 14th August 2020.
- Payroll Tax (if you are liable – if you have any questions, please contact us) - you have to prepare a reconciliation of total payroll for the year showing the total amount of payroll tax payable and then reconcile this with the remittances that you have forwarded throughout the year.
- WorkCover - a WorkCover Declaration is due by 31st August certifying wages paid for year ending 30th June 2020.

### H. Income Issues

- Government Grants – if your business has received a grant from a Government department, it is most likely paid to you on the basis that it is taxable income and therefore you need to disclose in your tax return the receipt of the government grant. If you are lodging your income tax return on a cash basis, this highlights the desirability of ensuring that all the government grant funds have been expended on tax-deductible items prior to 30th June 2020 (if possible).

The government has announced a tax exemption for primary producers and small businesses who receive grants for losses suffered from the North Queensland floods and primary producers affected by the Queensland storms in January/February 2019.

The “Cashflow Boost Payments” that many businesses have received as part of the Government’s COVID 19 Coronavirus Stimulus Package are not subject to taxation.

The “JobKeeper Payments” provided by the Government are to be treated as taxable income by the business receiving the payments.

- Personal Service Income – taxation laws include measures that are designed to limit the deductions available to certain contractors, whether operating as a sole trader or through a company, trust or partnership; these are known as the Personal Services Income (PSI) measures. A taxpayer, who meets certain specified tests, will be treated as carrying on a personal services business and will be able to claim a wider range of deductions. If you are operating a personal services business, you need to be aware of the Australian Taxation Office’s strict approach to income retention and income splitting. If you have any questions relating this to item, please contact us.
- Non-Commercial Losses – for a business to be commercial, under the “non-commercial losses tests”, the business needs to meet certain prescribed tests. If the tests are not met, any losses arising from the activities must be carried forward and offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2019/2020.
- Trust Distributions – the Australian Taxation Office has indicated that it will be enforcing the full meaning of the law, whereby trustee distribution/resolutions must be made by no later than 30th June each year.

## I. Utilising Tax Free Threshold

Every adult taxpayer has a tax-free threshold of \$18,200. If a taxpayer is verging on losses, consideration should be given to the decisions being made in relation to the valuation of stock, bringing forward or delay of sales, etc., to utilise the tax-free threshold. Otherwise, the benefit will be lost forever.

## J. Entities not defined as Small Business

Aggregated turnover (Refer Section D) of over \$10 million for the year. Please ignore this section if not applicable to you – refer to [Section D – Small Business Entities](#).

### Prepayments

The prepayment rule for "other small businesses" applies to business taxpayers with a group turnover of \$10 million or more.

### Depreciation rules for turnover up to \$500 million per annum

Businesses with a turnover of up to \$500 million per annum can immediately write off the cost of new or second-hand assets acquired after 12th March 2020 costing up to \$150,000 per item, subject to those assets having been purchased and installed ready for use by 30th June 2020.

The \$150,000 Instant Asset Write Off Deduction does not apply to the purchase of a car (a passenger vehicle, except a motorcycle or similar vehicle, designed to carry a load less than one tonne and fewer than nine passengers) the instant write off is limited to the business portion of the car limit of \$57,581. If the car cost more than \$57,581, you cannot claim the excess cost of the car under any other depreciation rules.

The Australian government announced an accelerated rate of depreciation of 50% for businesses with turnover under \$500 million on 12th March 2020 which applies to new assets not previously held by another entity that were first used or first installed ready for use after 12th March 2020.

### Businesses with Turnover up to \$50 million per annum

Businesses with turnovers up to \$500 million per annum can immediately write off the cost of new or second-hand assets (including motor vehicles) costing up to \$30,000 per item purchased in the period 1st July 2019 to 11th March 2020.

### General Deductions

- Staff Bonuses – ensure a cheque has been written with payment made prior to 30th June 2020 and PAYG withholding tax deducted.
- Staff Holidays – where practical, encourage staff to take holidays prior to 30th June 2020 or if being cashed out, paid before 30th June 2020.
- Superannuation – for the year ended 30th June 2020 superannuation contributions can be paid for any eligible person:
  - up to \$25,000
  - people aged 65 years or over must satisfy a “work test”. The work test applies when you have turned 65 years until you turn 75 years, you must have worked at least 40 hours within 30 consecutive days in a financial year before your superannuation fund can accept any non-concessional contributions for you.

- Self-Employed Persons – self-employed persons can obtain a superannuation deduction on the same basis as that adopted for employees.
- Salary Sacrifice Arrangements – salary sacrifice arrangements can be utilised to maximise superannuation contributions subject to the overall deduction limits.
- Non-Concessional Contributions – the non-concessional contributions cap is \$100,000 for 2019/2020. The maximum bring-forward cap is \$300,000 over a three-year period. If you have more than \$1.6M in superannuation you cannot make non-concessional (after tax) contributions, receive spouse contributions or receive the government co-contributions.
- Superannuation Minimum Contributions – superannuation contributions must be paid for all eligible employees who are paid, at least, \$450 gross per month.
- Interest on Loan Funds – interest can be claimed on loans taken out for business purposes or to buy income producing properties and/or shares.
- Repairs & Maintenance – ensure that the work has been completed prior to 30th June 2020.
- Directors' Fees – ensure cheques are drawn for payments made prior to 30th June 2020 and that PAYG Withholding Tax is deducted.
- Travel Deductions:
  - Overseas – prepare a full itinerary and diary.
  - Local – more than six nights you are required to maintain a diary.

A ban on travel related tax deductions for most real estate investors now applies.
- Motor Vehicle Expenses – there are two methods available to calculate tax deductions for work-related motor vehicle expenses:
  - Cents Per Kilometre - 68 cents per kilometre claim (to claim up to a maximum of 5,000 business kilometres per vehicle per annum).
  - Logbook Method - you can claim your actual business kilometres as a percentage of the total kilometres that the motor vehicle has travelled and to then utilise that percentage as the claimable percentage of the total motor vehicle expenses incurred.
- Donations – any promised tax-deductible donations should be made prior to 30th June 2020.
- Borrowing Costs – borrowing costs can be claimed over the shorter of five years or the term of the loan.
- Entertainment – entertainment is not deductible unless it is provided as a fringe benefit and Fringe Benefits Tax has been paid.
- Gifts – ensure payment is made to a tax-deductible charity on or before 30th June 2020.
- Audit Fees – deductible if there's a contract that creates a presently existing liability before 30th June 2020.
- Salary Packages – ensure salary packages for 2019/2020 are negotiated and documented prior to 30th June 2020.
- Legal costs – review any legal costs that have been incurred. If the legal costs relate to regular business operations (e.g. debt collection), separate those legal costs from the remaining legal costs which will relate to capital items which are not claimable for income tax purposes.
- Luxury Car Tax – the Luxury Car Tax is 33% and applies to the GST-inclusive value in excess of \$67,525 (including GST). The Luxury Car Tax for “fuel efficient vehicles” applies from a cost of \$75,526 (including GST).
- Research & Development – companies that incur research and development can claim additional taxation benefits. There are two components:
  - companies with turnovers under \$20 million
  - companies with turnovers over \$20 million
  - companies must register their research and development projects with AusIndustry by 30th September 2020 (normally 30th April but the registration date has been extended because of COVID-19 coronavirus) or the date of lodgement of the company's income tax return, whichever is the earlier.
- Research & Development for companies with turnovers under \$20 million – a company will receive the benefit of a research and development refundable tax offset calculated at 43.5% of the eligible research and development expenditure in the financial year. The rebate can be paid to the company by the Australian Taxation Office within thirty days of lodgement of the company's taxation return, if the company elects to receive this payment in the company's income tax return.
- Companies with turnovers over \$20 million – the company will receive a 38.5% non-refundable tax offset of the eligible research and development expenditure. If you require further information of the treatment of research and development expenditure, please contact us.

The Department of Industry, Innovation and Science has announced that, because many businesses are facing difficult economic circumstances due to the recent bush fires and COVID-19, the department will accept a "Provisional Advance" for an "Overseas Finding Application" for the 1st July 2019 – 30th June 2020 income year, by 30th June 2020.

The minimum details required in a "Provisional Advance" for an "Overseas Finding Application" are:

- company contact details
- descriptive name/title of claimed research and development activities

The further information required to assess the application will be required to be lodged with the Department of Industry, Innovation and Science (AusIndustry) by 30th September 2020.

### **Deductions On "Accruals" Basis**

*(Subject to income tax return being lodged on an "accruals" basis)*

- Fringe Benefits Tax Payment (Accruals Basis) – if a Fringe Benefit Tax instalment is due on 21st July 2020, it can be accrued and claimed as a tax deduction in the year ending 30th June 2020.
- Commissions Owning (Accruals Basis) – where employees or another business are owed commission by your business for services rendered up to 30th June 2020, the accrued amount can be claimed as a tax deduction at 30th June 2020.
- Bad Debts (Accruals Basis) – write-off any bad debts prior to 30th June 2020 and prepare minutes authorising the write-off.
- Interest (Accruals Basis) – any accrued interest outstanding on a business loan, that has not been paid at 30th June 2020, can be claimed as a tax deduction at 30th June 2020.
- Salaries & Wages (Accruals Basis) – the accrued expense for the days that employees have worked, but not paid at 30th June 2020, can be claimed as a tax deduction at 30th June 2020.
- Commercial Bills (Accruals Basis) – where the term of a Commercial Bill expires beyond the 30th June 2020, the discount applicable to the period up to 30th June 2020 can be claimed as a tax deduction.
- Rent (Accruals Basis) – if rent is in arrears, the part that is owed up to 30th June 2020 can be claimed as a tax deduction.

### **Stock**

- Stock on Hand – review stocktake list in June 2020. Determine whether to conduct "sales" prior to 30th June 2020. Conduct stocktake as at 30th June 2020. If you are conducting regular "rolling" stocktakes throughout the year, it may not be necessary to conduct a stocktake as at 30th June 2020.
- Value of Stock – stock can be valued at different individual methods for each item of stock:
  - Cost
  - Sale Value
  - Lower of Market Value or Replacement Cost
- Obsolete Stock – identify any obsolete stock and decide whether to clear or dump that stock prior to stocktake.

### **Assets**

- Fixed Assets – determine if there are any benefits in scrapping any fixed assets to obtain the tax write off prior to 30th June 2020.

### **Employment Issues**

- Payment Summaries - if you are using the Single Touch Payroll (STP) you will be exempt from issuing payment summaries to your employees if you have made a "finalisation declaration". The payment summaries will be made available to your employees online through myGov. The finalisation declaration requires the employer to declare that all of the information relative to the financial year for each employee has been provided through your STP reporting. "Finalisation Declarations" lodgement requirements:
  - Employers with 20 or more employees will have until 14th July 2020.
  - Employers with 19 or less employees will have until 31st July 2020.
- Payment Summaries – if you are not using Single Touch Payroll (STP) – payment summaries must be prepared and sent to all employees by 14th July 2020.
- PAYG Withholding Tax - if you are not using Single Touch Payroll (STP) – the annual summary is due to be lodged with the Australian Taxation Office by 14th August 2020.
- Payroll Tax (if you are liable) - you must prepare a reconciliation of total payroll for the year showing the total amount of payroll tax payable and then reconcile this with the remittances that you have forwarded throughout the year.
- Work Cover - a Work Cover Declaration is due by 31 August certifying wages paid for year ending 30 June 2020.

## Income Issues

- Bad Debts Recovered (on an accruals basis) – if a debtor owed an amount which has been written off, subsequently pays that amount you must bring the amount paid to account as assessable income in the year of recovery.
- Government Grants – if your business has received a grant from a government department, it is most likely paid to you on the basis that it is taxable income and therefore you need to disclose in your tax return the receipt of the government grant.

The government has announced a tax exemption for primary producers, and small businesses who receive grants for losses suffered from the North Queensland floods and primary producers affected by the Queensland storms in January/February 2019.

The “Cashflow Boost Payments” that many businesses have received as part of the government’s COVID-19 Coronavirus Stimulus Package are not subject to taxation.

The “JobKeeper payments” provided by the government are to be treated as taxable income by the business.

- Personal Service Income – the taxation laws include measures that are designed to limit the deductions that are available to certain contractors, whether operating as a sole trader or through a company, trust or partnership; these are known as the Personal Services Income (PSI) measures. A taxpayer, who meets certain specified tests, will be treated as carrying on a personal services business and will be able to claim a wider range of deductions. If you are operating a personal services business, as you need to be aware of the Australian Tax Office’s strict approach to income retention and income splitting. If you have any questions relating to this item, please contact us.
- Non-Commercial Losses – for a business to be commercial, under the “non-commercial losses tests”, the business needs to meet certain prescribed tests. If the tests are not met, any losses arising from the activities must be carried forward to offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2019/2020.
- Trust Distributions – the Australian Taxation Office has indicated that it will be enforcing the full meaning of the law, whereby trustee distribution/resolutions must be made by no later than 30 June each year.

## K. Primary Producers

(In addition to small business entities [\[Section D\]](#) and entities not defined as small business [\[Section J\]](#))

### Deductions

- Non-Commercial Losses – for a business to be commercial, under the “non-commercial losses tests”, the business needs to meet certain prescribed tests. If the tests are not met, any losses arising from the activities must be carried forward as an offset in a later year against future income from the same type of source. If you have non-commercial losses, please contact us for advice on the treatment of the losses in 2019/2020.

## L. Companies

- Franking Account – a company’s dividend payments and franking profile should be reviewed before year-end to ensure sufficient credits are available. If you have any questions, please contact us for a review.
- Company Loans – the Law requires that a loan to a shareholder is properly documented. If there is no security offered, the term of the loan should not exceed 7 years. If security is offered, the loan should not exceed 25 years. The minimum rate to be charged during 2019/20 is 5.37% (this is the rate advised by the Reserve Bank on 4th June 2019 - the Australian Taxation Office no longer publishes annual taxation determination for benchmark interest rates). If loans have been made to shareholders who haven’t been supported by a properly documented loan agreements, then the Australian Taxation Office can treat these payments as being dividends which are assessable to the shareholder.

## M. Capital Gains Tax

- Matching Capital Losses and Capital Gains – capital losses are not directly deductible. Capital losses must be offset against any capital gains generated during 2019/2020.



- 50% Capital Gains Tax Discount – you should check your eligibility for the general 50% Capital Gains Tax discount for individuals. If you are a small business operator and can meet the \$6 million net value asset test or have turnover of less than \$2 million, you might be entitled to further Capital Gains Tax concessions. If you have any questions on the operation of these concessions, please contact us.
- “Wash Sales” - the Australian Taxation Office has issued a ruling that relates to “wash sales”. This is a situation where shares, in companies listed on the Stock Exchange, are sold to crystallise the capital loss and then shortly thereafter the taxpayer, or an associate of the taxpayer, purchases shares in that same corporation on the Stock Exchange.

## **N. Reportable Payment Report**

If you are operating the following industries, you are required to submit a Summary of Payments made during 2019/2020 to the Australian Taxation Office by 28th August 2020:

- Building and Construction Industries
- Couriers Services
- Information Technology
- Road Freight
- Security, Investigation and Surveillance Services
- Cleaning

## **O. Superannuation Funds**

- Contributions to superannuation funds - for taxpayers with Adjusted Taxable Income (ATI) less than \$250,000 are taxed at 15% of the contribution by the superannuation fund. For taxpayers with ATI over \$250,000, contributions are taxed at 30%.
- Earnings made in a superannuation fund - are taxed at 15% and paid by the superannuation fund.
- For people 60 years or over who have started drawing a pension, payments from the superannuation fund are, in most cases, tax-free.
- Generally, monies invested in superannuation funds cannot be accessed until 55 years of age.

### **Temporary Early Access to Superannuation (if you are a sole trader or a self-employed individual)**

1. At any time after 1st January 2020 was your business suspended. If yes, go to 3. If no, go to 2.
2. At any time after 1st January 2020 was there a reduction in your turnover by 20% or more? If yes, go to 3. If no, you cannot access the temporary early access to superannuation.
3. You could access up to \$10,000 from your superannuation fund prior to 30th June 2020 and access up to a further \$10,000 from your superannuation fund from 1st July 2020 for approximately 3 months.

### **Temporary Early Access to Superannuation If You Satisfy One or More of the Following Requirements:**

You are unemployed; or

- you are eligible to receive a JobKeeper Payment, Youth Allowance for JobSeekers, Parenting Payment (which includes the single and partnered payments) Special Benefit or Farm Household Allowance; or

On or after 1st January 2020:

- you were made redundant; or
- your working hours were reduced by 20% or more.

### **Superannuation, Taxation and Centrelink and Veteran Affairs' Payments**

People accessing their superannuation via the “Temporary Early Access to Superannuation Rules” will not need to pay tax on amounts released and the money they withdraw will not affect Centrelink or Veterans’ Affairs Payments.

### **Application for Early Release**

Applications can be made directly to the Australian Taxation Office through the myGov website - [www.my.gov.au](http://www.my.gov.au).

## P. Early Stage Innovation Company Report on Shares Issued

- Companies are required to complete an Early Stage Innovation Company Report if they issue new shares to one or more investors during 2019/2020 that could lead to an investor being entitled to access the Early Stage Investor Tax Incentives.
- The report must be submitted to the Australian Taxation Office by 31st July 2020.

## Q. Property Investments

### Deductions

- Interest on Investment Loans – taxpayers who have borrowed money for a non-business investment (e.g. rental property) can check with their lenders to see if they can prepay interest prior to 30th June 2020.
- Building Allowance – the construction costs of income producing buildings may be written off at 2.5% or 4%, depending on the date of construction. Please contact us if you require additional details.
- General expenses - can include real estate agents fees; building allowance; depreciation of fixtures, fittings, plant and equipment; share of depreciation of common property in a strata-titled property; repairs and maintenance; pest control; interest on monies borrowed for investment in the property; bank charges on the property bank account; cleaning; electricity; rates; land tax; insurance.
- Negative Gearing – the net loss, which may include interest, borrowing costs, etc., may be deductible.
- Travel Expenses – A ban on travel related tax deductions for most real estate investors now applies.

### Income Issues

- Income Splitting – income splitting can be highly tax effective, especially if investments have been placed in the name of a lower income earner. This can be applicable where a spouse is not working and the income in the spouse's name would therefore be taxed at a lower rate.
- All income from a rental property - should be declared.

## R. End of Financial Year Review

If you have any queries on any other items not discussed in this newsletter, or you have general matters that you would like to discuss with us relative to your taxation affairs for the year ending 30th June 2020, please contact us urgently so that a convenient time for a meeting can be arranged.

## S. Business Review

Now is an ideal time to talk to us about Business Development Strategies for your business in 2020/2021, particularly relating to:

- Developing a strategic plan to navigate out of the COVID-19 coronavirus challenge.
- The establishment of a series of regular, monthly or quarterly business review meetings to discuss your business' performance.
- What we could offer by performing a 'Chief Financial Officer' service for your business.
- Reviewing your business financing position and consider the possibility of raising capital via:
  - Crowd Sourced Funding Equity Raising; or
  - Section 708 of the *Corporations Act* capital raising; or
  - Early Stage Innovation Company Capital Raising
- A business health check.
- An analysis of risks relating to your business particularly a Personal Property Securities Register Due Diligence Review.
- Cashflow including:
  - debtors
  - stock
  - work in progress
- Business Plan development for 2020/2021.
- Budgets & Cashflow Forecasts for 2020/2021.
- Setting retail prices to achieve budget targets.
- Setting trades charge out rates to achieve budget targets.
- Setting professional fees to achieve budget targets.

- Accessing government grants.
- Analysing gross profit being achieved in your business.
- “What If” calculations relative to sales.

If you would like us to undertake a business review on your business, please contact us.

## T. Individuals

### Deductions

- Superannuation Co-Contribution – the government will give lower income earners (\$38,564 to \$53,564) \$0.50 for each \$1 they contribute to superannuation from their after-tax salary up to a maximum of \$500.
- Taxation Advice – fees payable to an accountant or registered tax agent for taxation advice can be claimed.
- Expense Substantiation – ensure that you can justify all employment-related expense amounts incurred.
- Working from Home Expenses – expenses can be claimed for working from home (as distinct from having a home office) but full records need to be kept so that the claim can be substantiated. The Australian Taxation Office has issued a ruling relating to people working from home during the COVID-19 crisis. The temporary simplified method applicable from 1st March 2020 to 30th June 2020, known as the "shortcut method", is \$0.80 per hour for all additional running expenses.
- Expenses for Shareholding Investments – expenses incurred in gaining income from shares are a tax deduction.
- Sickness and Accident Insurance – premiums for Sickness and Accident Cover are tax deductible. Payments can be made by the employer without incurring Fringe Benefits Tax.
- Home Office Expenses – if you use an area in your home, you can claim the expenses of a home office. Items that could be claimed include:
  - electricity (proportionate)
  - rent (proportionate)
  - cleaning (proportionate)
  - repairs and maintenance for the office
  - depreciation of fixtures and fitting and plant and equipment for the home office
- Work-Related Expenses – items such as travel (other than travel to and from work), uniforms, laundry of work clothes, subscriptions, union fees and self-education – but you must be able to substantiate your claim. A ban on travel related tax deductions for most real estate investors now apply. If you have used your own motor vehicle for business related purposes, you can claim motor vehicle expenses:
  - Cents per kilometre
  - Logbook method
- End of Year Tax Schemes – the Australian Taxation Office produces product rulings on various investment products that are marketed particularly around 30 June each year. To avoid confrontation with the Australian Taxation Office, it is best to consider investing in products that have obtained a product ruling. These product rulings are not a guarantee or government endorsement on the likely success, or profitability, of the investment.
- Managed Investment Schemes – it is recommended that you have a meeting with your professional accountant prior to committing to a Managed Investment Scheme (MIS) investment.

### Income Issues

- Interest Earned – declare interest earned on bank accounts, loans, etc.
- Employee Share Schemes – if you are a member of an employee share scheme, you should ensure that any income earned is included in your income tax return.
- Scheme Formed After 1 July 2015 – Employee Share Scheme interests provided by eligible start-up companies will not be subject to up front taxation if the investment is held by the employee for at least three years. An eligible start-up company is one with aggregated turnover of less than \$50M unlisted and incorporated for less than ten years.
- Scheme Formed After 1st July 2009 – the discount on Employee Share Schemes are taxed either upfront or on a deferred basis. For 'qualifying' schemes, if the employee is earning less than \$180,000 taxable income plus reportable fringe benefits, reportable superannuation contributions and total investment losses, then the employee can claim a \$1,000 exemption from the inclusion of the assessable discount.
- Dividends, Interest, Managed Funds Distributions, etc. – the ATO matches information provided in tax returns with information received from external sources, such as public companies, banks, managed funds etc.

## Offsets

- Zone Offset – This offset is based upon where you are considered to reside for the tax year, so your Zone Tax Offset is limited to where your main residence or home is located.
- Minimisation of Income Tax
- Salary Packaging – salary packaging can assist in the minimisation of income tax, particularly in the areas of voluntary superannuation contributions and acquisition of assets that are not subject to Fringe Benefit Tax. Your employer is required to report the value of fringe benefits in your payment summary. That may affect other government payments you receive.

***If you have any questions relating to planning your taxation affairs for 30th June 2020, please do not hesitate to contact us at CBSW Tax & Business Advisors.***

### Disclaimer:

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