

BusinessPlus+ Newsletter

Issue – EOFY Tax Planning – June 2020

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.

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