AUTUMN 2022

IN THIS ISSUE:

We Are Here To Help

This guide is merely meant to provide you with a starting point for identifying the areas that might have a significant impact on your personal and business planning. We're always glad to consult with you on such matters and advise in any way that we can.

YEAR END STRATEGIES

THE 2022/2023 TAX GUIDE FOR YOU AND YOUR BUSINESS

TYNDALLEDDY PARTNERS
Accountants & Business Advisors

Why Is End Of Year Planning So Important?

*Benjamin Franklin once famously said, "**if you fail to plan, you are planning to fail**".*

He may not have been referring specifically to businesses but it is an apt statement for individuals and businesses alike. We all need to plan where we are going. It could be as simple as planning a holiday or it could be to do with the next ten years of our business.

Business planning is a key element to success. Businesses with a formal business plan perform far better than those that don't, and with good reason. If you know where you want to get to you, there is far more chance of getting there.

For the most simple of plans for a business, why not prepare a budget for 2023? Each month thereafter you can compare your actual performance to that of the budget. You will probably find that by preparing the budget you will find areas where you can save expenses. You will also know on a monthly basis how you are travelling, and be able to adapt as needed.

You could also consider a full planning session with your team leading up to the end of the financial year. Bring the team together, find a facilitator and brainstorm all of the ideas that you could use to grow your business. Your team will be more engage when they have input into what your growth activities will be.

Don't forget the business formula - that your total revenue is your number of customers times the number of sales per customer by the average value per sale. A 10% increase in each could drive your growth by more than 30%.

If you would like to explore your options for planning next year, give us a call. There is plenty that we can tackle together for your business.

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Budgets & Cashflow
Asset Protection Advice
Succession Planning

FBT For Your Business

The end of the 2021/22 fringe benefits tax financial year has come, and it is now time for us to do our part for your returns. However, there are some items that we might need your help with, particularly if you haven't been forthcoming with information.

COVID-19 & FBT

Due to the impacts of COVID-19 over the last financial year, your FBT return may look a little different this year. Here are some of the areas that you might need to consider:

WORKING FROM HOME

Are you in the right mindset to take on the challenges of the business? Running a business is a lot of hard work and requires strict disciple. Before taking on a business,

- What was provided to staff to allow them to work from home?
  - If the employee received the use of office equipment, this becomes a residual benefit
  - If the employee became the owner of the office equipment, this is a property benefit
- Did the employees receive any form of the electronic device to conduct their work with?

CAR PARKING

Most small businesses are exempt from paying fringe benefits on car parking. This is one of the benefits that you can provide to your staff that is tax effective. If however, your turnover is more than $10 million AND you provide your employees with a car park as a part of their fringe benefits you will need to provide us with:

- How many car parks were provided
- Where they were provided
- Who they were provided to
- When they were provided
- This will need to be proven, so a record of the timeframe (days using the parking) needs to be made available.

The ATO has also revised the definition of 'Commercial Car Parking Facility'. This means that the benefit will now also include when:

- The car is parked at a business or associated premise
- A commercial car parking station is located within a 1km radius; and
- The lowest fee charged by the operator of any such parking station for all-day parking on the first business day of the FBT year is more than the car parking threshold.

CARS

If you have an employee who has been provided with a car as a fringe benefit, you will need to provide the following answers:

- What cars were provided to the employee?
- Were any vehicles purchased or sold during the year, and could they possibly be exempt?
- Were these vehicles provided as a shared vehicle (among employees), as a part of a salary package arrangement or as a hire car?

You may also need to also provide a logbook (that meets the ATO's minimum requirements) if you're going to use the Operating Cost Method.

You should also include details of any running costs, recipient payments and any documentation that may note the changes in the pattern of use of the vehicle due to COVID (ie, driving more or less for work-related reasons).

ENTERTAINMENT

Entertainment benefits can include sustenance, entertainment leasing facilities, properties, expense payment benefits and perhaps most common of all, meal entertainment. You will need to be able to provide us with the what, why, when, where and to who the entertainment was provided to.

Meal Entertainment is one of the areas of FBT that you need to be aware of, as it can be tricky. The best way to manage it for your next FBT year is to:

- Set-up an account
- Capture information at data entry
- Provide your employee with a cheat sheet - what is and isn't available as a benefit, etc.

You may need to start a conversation with your accountant if you have been providing your employees and their associates with non-cash benefits and private expenses you have paid on their behalf. This is information that they will need to help prepare your tax return.

Remember, if you are reaching out to us for assistance with your FBT tax return, the lodgement date will be 25 June 2022, otherwise it will be 21 May 2022 if you lodge it yourself.

Last Chance To Apply As COVID-19 Tax Deduction Deadlines Approach

Tax deductions introduced by the Australian Taxation Office to lessen the impact of COVID-19 are approaching the end of their eligible timeframe. To ensure that you or your business do not miss out, here are some of the deductions you could claim at the end of this financial year (if eligible).

Loss-Carry Back Rules

Eligible businesses with an aggregated turnover of less than $5 billion or corporate tax entities that meet an alternative $5 billion total income test are able to use the temporary fill-expensing measure again this year. This will allow them to deduct the full cost of eligible depreciating assets acquired from 6 October 2020 and first used or installed ready for use by 30 June 2023. The original deadline of 30 June 2022 was extended for an additional year, so make sure to make use of this in your business!

Remember!

Aggregated turnover of less than $5 billion

The original deadline of 30 June 2022 was extended for an additional year

Shortcut Method

If you have had to work from home over the last year between 1 July 2021 to 30 June 2022, you can claim a deduction for working from home.

This is to address expenses that you may have had to make in order to work from home, such as paying for electricity or equipment to work from home. These expenses cannot have been paid by your employer, you need to have paid for them yourself.

You can claim $0.80 for every hour that you worked from home, but you are not able to claim for anything else if using this method.

To claim this, you need to:

- keep a record of how many hours you worked from home
- work out your deduction amount
- write the deduction amount in your tax return in the 'Other work-related expenses' section
- write 'COVID-19 hourly tax rate' in your tax return.

If you are consulting with a registered tax agent for your return, they may recommend this as your best course of action.

Essential Record-Keeping At Year-End For Your Business

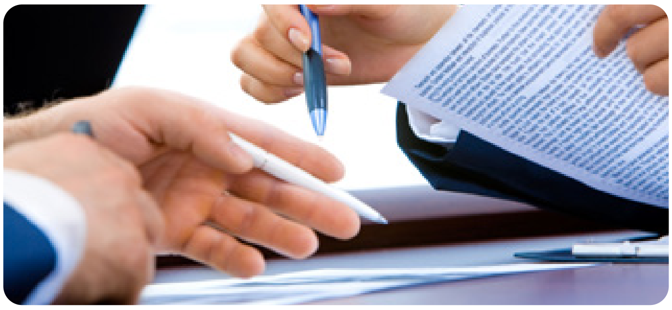
It may seem like the importance of record-keeping is overly stressed by us, but it's a critical part of the wrap-up of the year-end.

Good record-keeping makes it easier to meet your tax obligations, manage your cash flow and make sound business decisions going forward. Put the hard work in at the end of the financial year to get your business organised and allow you to work smarter in the year ahead.

Essential business records that must be kept include:

Expense Or Purchase Records You must keep records of all business expenses, such as receipts, tax invoices, cheque book receipts, credit card vouchers and diaries to record small cash expenses.	**Year-end Records** These records include lists of creditors or debtors and worksheets to calculate depreciating assets, stocktake sheets and capital gains tax records.	**Income & Sales Records** You must keep records of all income and sale transactions such as tax invoices, receipt books, cash register tapes and records of cash sales.
Bank Records Documents such as bank statements, loan documents and bank deposit books need to be kept in preparation for your tax return.	**Fuel Tax Credits** To claim fuel tax credits for your business, records must show that you acquired the fuel, used it in your business, and applied the correct rate when calculating how much you are eligible to claim.	**Payments To Employees & Contractors** Records of your workers need to be kept, including tax file numbers, withholding declaration forms, contributions to their superannuation, wages and any other payments made to them

By law, business records must be kept for a minimum period of five years for sole traders and individuals and seven years for companies' and payroll transactions after the record is created, updated, the transaction is completed or the return in which they were included was lodged, whichever is the latter.



Records can be kept electronically or on paper, must be in English or in a form that can be easily converted, and thoroughly explain all transactions. Failure to keep the correct tax records can incur penalties from the ATO.

By maintaining consistent records throughout the year of your major and minor expenses, you will be in a better position to face the end of the financial year. Take the stress and hassle out of this tedious process by coming to us (your registered tax agent) with all of the information that is needed for your tax returns to be completed.

2022 End Of Financial Year Checklist

Maximise your tax deductions for the 2021-22 financial year by conducting a thorough review of your records. But to do that, you need to know where to start. Here are some of our top tips for businesses and individuals when it comes to year-end tax planning.

For Businesses

Temporary Full-Expensing

Any asset purchased between 7.30pm AEDT 6 October 2020 to 30 June 2022 may be written off by a small business under the instant asset write-off. This even applies second-hand assets (where your turnover is under $50 million). Purchasing later in the tax year (June) as opposed to early in the new year (July) can give you a benefit far sooner in the tax savings that are made on that purchase.

Bad Debts

Bad debts incur a significant cost to all businesses that sell on credit. There is no sense in paying tax and GST on sales where payment will not be received, which is why reviewing if your business has any bad debts attached to it before the end of the year is important. Claiming a tax deduction for bad debts is surrounded by complicated rules, so it may be best to speak with a professional (like us) for further information and assistance.

Small Business CGT Concessions

Individuals operating a small business may be eligible for capital gains tax (CGT) concessions on the sale of business assets. The small business CGT concessions are available to business taxpayers with an aggregated turnover of less than $2 million or on business assets less than $6 million. Review your potential concessions for this financial year to receive the benefits of tax relief or contribute to your retirement savings through the sale of a business. Careful planning around the Small Business Concessions could potentially save hundreds of thousands of dollars in tax on the eventual sale of your business.

Stocktake

The year-end stocktake should involve a review of all trading stock and a decision made about its value from both a tax and commercial perspective. Obsolete, slow-moving or damaged stock should be identified by 30 June and disposed of for income purposes in order to receive a deduction.

Pay Quarterly Super

In order to qualify for a tax deduction for the 2021-22 financial year, Super Guarantee contributions must be paid by 30 June 2022. Some clearing houses can take more than a week to submit the payment to the super fund, but the fund must receive the contribution before the deadline. To keep on top, the best practice may be to pay before 20 June (to allow the extra time for the clearing houses to process the payment.

For Individuals

Work From Home Deductions

If you've been working from home during lockdowns or as a result of the pandemic's effects, the 'shortcut method' is available to claim running expenses at the rate of 80c per hour worked. You will not be able to claim using other methods though, and will not be able to claim on asset depreciation.

LMITO Offset

If you're within the Low & Middle-Income Tax Brackets for the offsets, you may be eligible for additional tax relief on your income tax return. We can assist you in checking if you will be able to claim this or not.

Depositing Contributions

Any contributions that have been recorded for your SMSF need to be deposited into the fund's bank account by no later than 30 June. This is especially important where members have reported concessional or non-concessional contributions on their tax returns. But remember that you can;t claim the tax deduction until you have lodged your notice of intent to claim a tax deduction and have received an acknowledgement back from the fund. No early lodgements if you have made a contribution to super.

Superannuation Strategies To Employ Before The EOFY

With the end of the financial year growing closer, now is the time to be thinking about the ways that you could be growing your superannuation.

With superannuation being the key to a comfortable retirement, here are some of the strategies to consider that could help with streamlining your finances (while also taking into account some considerable tax breaks).

Concessional Contributions

Also known as the before-tax contributions, these are the funds that go into your super account from your income before tax. These can include

- Employer contributions
- Salary sacrifice payments
- Personal contributions (which can be claimed as a tax deduction).

The concessional contributions cap is $27,500 for all ages for the 2021-22 financial year. Your cap may be higher if you did not use the full amount of your cap in previous years. This is called the carry-forward of unused concessional contributions.

Bear in mind that if your combined income and concessional contributions are more than $250,000 in total, you may have to pay extra tax. This is something to consider if you are looking to make personal contributions for the sake of the tax deduction.

Non-Concessional Contributions

Before-tax contributions are not the only way to top up your super account. Non-concessional contributions are made into your super fund from after-tax income. They include contributions made by you or your employer on your behalf from after-tax income, contributions made by your spouse to your super fund, or personal contributions not claimed as an income tax deduction.

For the 2021-22 financial year, the non-concessional contributions cap is being increased to $110,000. If you contribute more than this, you may have to pay extra tax on this.

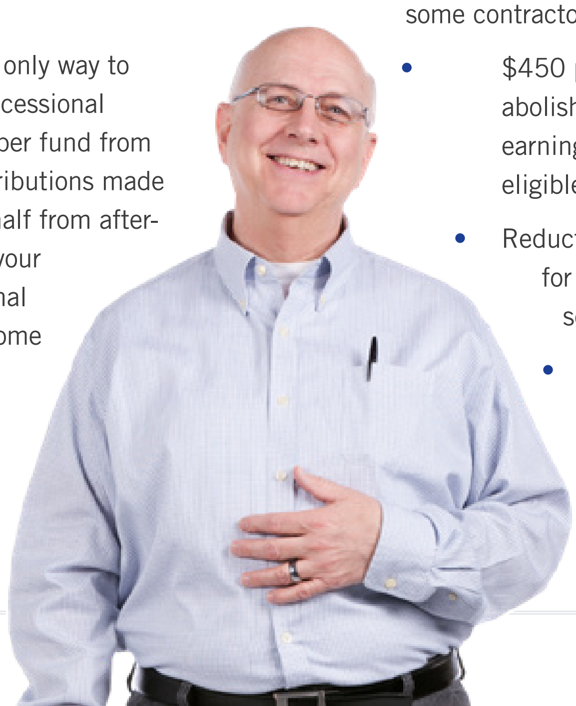
Your own cap may be different from others though, as it could be:

- Higher, if you are able to use the bring-forward arrangements
- Nil, if your total super balance is greater than or equal to the general transfer balance cap ($1.7 million from 2021-22

Changes Coming Into Effect 1 July 2022

Though the recent Budget announcements for superannuation only covered the reduction to the minimum annual drawdown amounts for superannuation pensions and annuities, that doesn't mean that there aren't other changes still to come into effect from last year's announcements. Be mindful of the following when planning your superannuation strategies for next year:

- Bring-forward non-concessional cap extended to anybody under 75 (subject to Total Superannuation Balance)
- Work test requirements were abolished for 67-74-year-olds in respect of making or receiving personal and salary sacrificed contributions.
- The SG rate is set to increase to 10.5% (up from the current 10%), as applicable to an employee's (and some contractors') ordinary time earnings.
- $450 per month income threshold abolished for SG contributions - those earning below this amount may now be eligible for the superannuation guarantee.
- Reduction to age 60 (down from 65) for the home downsizer contribution scheme
- Increase to voluntary contribution release amounts under the first home super saver scheme from $30,000 to $50,000



Preparing For Your Rental Property's Tax Deductions

Property is a solid investment opportunity for those looking to increase their financial security.

If you are a landlord, you may be looking for ways to reduce your tax liability this year. This may assist you in turning your property's cash flow from a negative into a positive.

However, there are limitations to many of the tax deductions that may be available to you, which you need to be aware of.

This includes the fact that you may only claim deductions on your property during the periods in which it was tenanted or genuinely available for rent. You will also only be able to claim the portion of an expense that was used for business purposes and must keep records to prove these expenses.

With that in mind, here is a list of the main tax deductions that landlords should bear in mind when tackling their income tax returns:

Maintenance & Repairs

One of the key deductions that landlords often come into strife with the ATO is to do with maintenance and repairs conducted to the property.

Repairs can be claimed as an immediate deduction if they relate directly to wear and tear (e.g replacing broken tiles after a storm with professional help). You will need to also understand the difference between renovations and repairs. This is because there are different tax treatments to renovations and repairs, and getting the two confused can be costly.

However, if you were to replace an appliance, you would need to claim the cost as a depreciation deduction over the course of an asset's lifespan. Or, if you were to make an upgrade (such as replacing an old fence or installing new carpets) to increase the value of the property, you will need to claim these costs as a capital works deduction at 2.5% a year for 40 years.

If your rental property was affected by recent flooding events across NSW and Queensland, you may be able to claim the repairs required to make the property habitable again as a tax deduction. This should be discussed with your accountant, however, as it may be tricky to determine the extent of these deductions.

Rental Advertising Costs

It's a common saying: you have to spend money to make money. So if you have spent money on marketing your property using online or print media, brochures and signs, you can claim these advertising expenses against your income in the same year that you paid for them.

Loan Interest

You can claim the interest charged on a loan for an investment property and any bank fees for servicing the loan. You cannot however claim your repayments on the principal sum of the loan, nor claim interest on the entire size of the loan if you refinanced a portion of the loan for private purposes (regardless of whether equity in an investment property was used as security in that loan. And remember that it is the interest on a loan used to buy your investment property, it doesn't matter what security you have used. Borrowing against your investment property to pay for a holiday does not come with tax-deductible interest.

Council Rates & Strata Fees

Council rates can be deducted in the year that they are paid, but can only be claimed for the periods in which the house was being rented out.

If your property is on a strata title (such as an apartment block or eligible townhouses), you can claim the cost of body corporate fees.

Building Depreciation

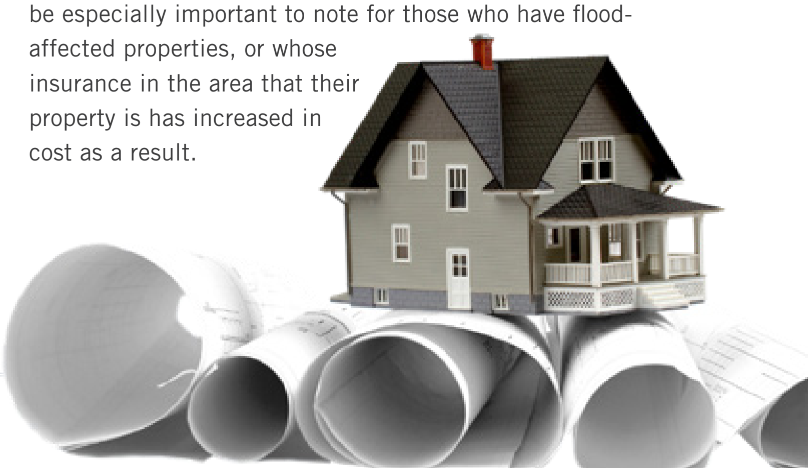
Depending on when your investment property was built, you may be able to claim a deduction on the depreciation of the building's structure and any renovations you make to the property.

Pest Control

Either the landlord or the tenant can claim an immediate deduction for the hire of a pest control professional.

Insurance

You can claim the cost of insuring a rental property. This may be especially important to note for those who have flood-affected properties, or whose insurance in the area that their property is has increased in cost as a result.



Trust Planning This Year Needs To Be Done Carefully

In order to prepare your trust for the end of the financial year, there are multiple obligations that you need to fulfil as a trustee. Planning for your trust's future is just as important as tax planning or business planning, so it's encouraged that you take an active role.

TRUST DEED

Make sure that there is a complete original copy of the trust deed, including any amendments. You will need to be sure that any resolution that is made to distribute the income from the trust or the capital is consistent with the terms of the deed. A lost trust deed can cost well over $10,000 to rectify.

TRUST DISTRIBUTIONS

The simplest way to look at trust distributions is to understand that this process is about working out who is getting what and when from the trust.

Generally, discretionary trusts (and some fixed trusts) are required to prepare and execute distribution minutes prior to 30 June for each financial year. This is to explain in detail how the income of the trust will be distributed to beneficiaries for the relevant financial year and must detail any use of income streaming. These minutes must be prepared in accordance with the trust deeds. Failure to do these resolutions by 30th June will result in the trust paying 47% tax on ALL of its earnings.

When preparing the trust distribution minutes, it may be an idea to retain a nominal amount in the trust for the 30 June 2022 income year. This will assist with generating a notice of assessment for the trust and effectively limiting the amendment period to 4 years (or 2 years for trusts that are considered a small business entity) from the date of that notice.

Broadly, the amendment period is a period of time that the ATO and taxpayer are able to review and amend tax forms to where their taxable income needs to be changed. The period is determined from the date of the relevant notice of assessment.

Where there is no retention of income, trusts are generally not taxable and therefore do not receive notices of assessment. As such, without completing the distribution minutes and retaining a nominal amount in the trust by 30 June 2022, the amendment period will be greater than 4 or 2 years.

COMPLIANCE CONCERNS

A commonly recommended structure for investment and business, family trusts income distributions are a concern for the Australian Taxation Office (ATO) when it comes to compliance. Recent rulings around trust distributions could complicate the way your trusts are operated and structured and will come into effect on 1 July 2022.

Work together with us to ensure that your trust is compliant with their requirements and that you have met your obligations as a trustee. This is the easiest way to approach your trust planning at the end of the year.