

## BUSINESS TIPS - JUNE 2022

### TAX PLANNING STRATEGIES TO IMPLEMENT BEFORE 30 JUNE 2022

- ✓ Defer invoicing if you are a non-Small Business Entity (SBE) taxpayer
- ✓ Defer receipt of income if you are a SBE taxpayer
- ✓ Pay Super Guarantee (SG) before 30 June to obtain a tax deduction in the 2021/2022 year even though not due to be paid until 28 July 2022
- ✓ Make additional superannuation contributions up to your aged based limits before 30 June 2022
- ✓ **Bear in mind Super Clearing House cut off dates! (they will be well before 30 June)**
- ✓ Prepay expenses for up to 12 months (SBE)
- ✓ Make tax deductible purchases such as accounting software and travel expenses before 30 June 2022 (SBE taxpayers must also physically pay these expenses)
- ✓ Prepare and undertake a stock take
- ✓ Write off bad debts
- ✓ Pay staff bonuses
- ✓ Pay directors' fees or dividends
- ✓ Adjust owners' wages if necessary to obtain a more attractive tax outcome.
- ✓ Ensure your accounting file is up to date and reconciled, determine your year to date (YTD) profit or loss and know your position so you can make decisions
- ✓ From 7.30pm AEDT on 6 October 2020 until 30 June 2023, temporary full expensing allows a deduction for:
  - ✓ the business portion of the cost of new eligible depreciating assets for businesses with an aggregated turnover under \$5 billion or for corporate tax entities that satisfy the alternative test
  - ✓ the business portion of the cost of eligible second-hand assets for businesses with an aggregated turnover under \$50 million
  - ✓ the balance of a small business pool at the end of each income year in this period for businesses with an aggregated turnover under \$10 million.

#### SMALL BUSINESS CAPITAL GAINS TAX (CGT) CONCESSIONS

There are substantial benefits on sale of business goodwill or assets including business property through these concessions, which can even result in NIL CGT being payable.

#### CONTRACTORS

The ATO has an employee/ contractor tool available on their website to assist in determining whether workers are contractors or employees for tax and super purposes—highly recommended for clarifying obligations around contracting arrangements.

#### PAYROLL TAX

Applies where wages and subcontractors exceed an annual threshold (currently \$1,200,000 in NSW). Applies to all Australian wages.

The Payroll tax rate in NSW is currently 4.85%.

If wages exceed the threshold, you must register with Office of State Revenue (OSR) immediately.

### SMALL BUSINESS CONNECT – NEED ADVICE?

Small Biz Connect is a NSW Government Initiative that provides highly subsidised small business advice. They are a mobile service and come to you. They recognise time constraints and difficulties involved in running a small business. Small Biz Connect will work with you to create ways to improve your business looking at different areas including General Business Health, Emergency Planning and Online Presence. Call 1300 134 359 or visit [smallbusiness.nsw.gov.au](http://smallbusiness.nsw.gov.au) for more information.



## SMALL BUSINESS ENTITY (SBE) PROVISIONS

From 1 July 2016, small businesses have access to roll over for gains and losses arising from the transfer of CGT assets, trading stock, revenue assets and depreciating assets as part of a restructure of a small business.

What do you need to know?

- The roll-over is available for asset transfers taking place after 1 July 2016.
- The roll-over is optional
- It must be a part of a genuine restructure
- Ultimate economic ownership in the asset must be maintained



## SMALL BUSINESS COMPANY TAX RATE

The small business company tax rate is 25% in 2021-2022 down from 26% in 2020-2021. This applies for companies with turnover up to \$50million for the 2021-2022 year. This rate applies to corporate unit trusts and public trading trusts. Small businesses must now also base franking of distributions on the 25% rate for 2021-2022.

## SMALL BUSINESS INCOME TAX OFFSET

Individuals may be entitled to a tax offset for the tax payable on small business income. A tax offset rate of 16% applies from 1/7/21 with a limit of \$1,000 each year. This applies to businesses with a turnover less than \$5 million.

## SUPERSTREAM

SuperStream is now compulsory for all employers making super contributions for staff. Make sure you are registered with a Clearing House, your super fund or through your software provider.



## R&D TAX INCENTIVE

The revised R&D Tax Incentive applied for income years on or after 1 July 2021. Companies with an aggregate annual turnover of less than \$20m will be able to access a refundable offset of 18.5% above the corporate tax rate. For companies with an aggregate turnover above \$20million there is a two-tiered system. The offset will be:

- 8.5% for R&D below 2% of total expenditure
- 16.5% for R&D above 2% of total expenditure.

## Disclosure of business tax debts

As of 21 February 2020, the ATO has the power to disclose certain business tax debts to Credit Reporting Bureaus (CRB's).

Businesses which are engaging with the ATO to manage their tax debts will not have the tax debt information disclosed to CRBs.

**The ATO will only disclose this information if the business meets the following criteria:**

\*it has an ABN and is not an excluded entity

\*it has one or more tax debts overdue by 90 days \$100K or over

\*is not effectively engaging with the ATO to manage tax debt






\*the Inspector-General of Taxation is not considering an ongoing complaint about the reporting of the entities tax debt information.

The ATO will notify a business in writing if they meet the reporting criteria and give them 28 days to engage with the ATO and take action to avoid having its tax debt information reported.

## First Business

by ASIC's MoneySmart

Dashboard

	Business health check Estimated reading time 10min	✓
	Checklist Estimated reading time 20min	0%
	Case studies Estimated reading time 10min	✓
	Networking Estimated reading time 10min	✓
	Reading list Save links for more information	0 Items



### ASIC First Business App to help young people starting a small business

First Business was developed by ASIC and the ATO, to assist young people considering going into business. The mobile app provides practical tips, checklists, case studies and links to additional information relating to developing and running a small business themselves.

### DEDUCTING SMALL BUSINESS STARTUP COSTS

From July 1 2015, small businesses can immediately deduct certain capital expenses associated with starting up a business. Expenses are now fully deductible in the year in which the expenditure occurred if it was:

1. Incurred in obtaining advice or services relating to the proposed structure or operation of the business
2. A payment to an Australian government agency of a fee, tax or charge incurred in relation to setting up the business.

### TAXABLE PAYMENTS REPORTING SCHEME (TPRS)

Applies to payments made to contractors in the Building & Construction Industry and requires Annual Reporting of payments made. It has since been expanded to a number of other industries, with the **cleaning and courier industries coming in from 1 July 2018** and the **road freight, security, investigation, surveillance and information technology industries from 1 July 2019**.

### EARLY STAGE VENTURE CAPITAL LIMITED PARTNERSHIP

From 1 July 2016, a limited partner of an early stage venture capital limited partnership (ESVCLP) may qualify for a:

- ✓ Non-refundable carry forward tax offset of up to 10% on contributions to an ESVCLP that becomes unconditionally registered on or after 7 December 2015
- ✓ Tax exemption for part of the capital gain or income from disposal of investments that were accrued at the end of the period ending six months after the end of the financial year in which the investee's value first exceeded \$250 million.

### FRINGE BENEFITS TAX

Minor benefits exemption threshold is \$300 – good news for the office Christmas party and gifts for employees. It applies to benefits that are irregular and infrequent.

Other exemptions worth considering include:

- ✓ Laptops (1 per employee per year)
- ✓ Mobile phones – no FBT if predominantly for business use.
- ✓ Other Portable Electronic devices (ie iPod's, GPS) may also be eligible (if predominant business use test is passed).
- ✓ Small Business exemption now applies for more than one qualifying work-related portable electronic device.

### TRANSFER DUTY ABOLISHED

Transfer duty on the transfer of business assets in NSW was abolished on 1 July 2016, along with transfer duty on the transfer of private company shares and mortgage duty.

## GST ON GOODS & SERVICES APPLIED TO AUSTRALIA

GST now applies to non-resident businesses who supply goods, services or digital products to consumers or GST-registered business. Businesses which meet the turnover threshold of \$75,000 and make these supplies are required to register for GST.

From 1 July 2017 GST applies to cross-border supplies of **digital products and other services** imported by Australian consumers:

- ✓ Digital products such as streaming or downloading movies, music, apps, games and e-books
  - ✓ Services such as architectural or legal services

This is something to be mindful of when dealing with non-resident businesses now.

## EARLY STAGE (ANGEL) INVESTOR TAX INCENTIVES

From 1 July 2016, investors who acquire newly issued shares in qualifying Australian early stage innovation company (ESIC) may be eligible for:

- ✓ Non-refundable carry forward offset equal to 20% of the amount paid for the shares
- ✓ Modified CGT treatment, under which the investor can disregard any capital gains that have been made on shares held between one and ten years.

## GST ON LOW VALUED IMPORTED GOODS

From 1 July 2017 GST applies to low value imported goods. This includes all goods that are imported into Australia and sold to consumers with a value equal to or less than \$1,000. Under this measure you may need to register for GST if:

- ✓ You are a non-resident supplier who sells low value goods and imports them into Australia and
- ✓ Meet the registration turnover threshold of \$75,000

## NON COMMERCIAL LOSSES

One of Four Tests must be met in order to claim Business Losses against other income. The four tests are:

**The assessable income test** – minimum of \$20,000 revenue.

**The profits test** – the business had a profit for tax purposes in three out of the past five years (including the current year).

**The real property test** – the value of real property or of an interest in real property used in the business on a continuing basis was at least \$500,000.

**The other assets test** – the value of assets (excluding real property, cars, motor cycles and similar vehicles) used on a continuing basis in carrying on the business was at least \$100,000.

A further requirement of other taxable income being less than \$250,000 also now applies. In certain circumstances, a Commissioner's discretion may be available (on application).

### INCOME TAX AVERAGING – PRIMARY PRODUCERS AND SPECIAL PROFESSIONALS

Primary producers and special professionals qualify for income tax averaging. This means income and tax payable is evened out over a maximum of five years to allow for fluctuations in prices and production (for primary producers), and income receipts (for special professionals).

This ensures that you do not pay more tax over a number of years than taxpayers on comparable but steady incomes.

**Special professionals** include authors and inventors, performing artists, production associates, and sportspeople.

A **primary producer** operates a primary production business if they undertake:

- plant or animal cultivation (or both)
- fishing or pearling (or both)
- tree farming or felling (or both)