IAS

INFINITE ACCOUNTING SOLUTIONS

TAX UPDATE JUNE 2022

GENERAL TAX TIPS

- ✓ Bring forward deductions into this financial year.
- ✓ Prepay interest on rental properties & other investments.
- ✓ Prepay 12 months Income Protection Insurance & any other expenses such as subscriptions.
- ✓ Salary Sacrifice to super or make personal deductible contributions.
- ✓ Defer income into 2023 particularly if your income may be lower next year.
- ✓ If you're not already, look at investing tax effectively to create an asset for the future while saving tax now.
- ✓ Gearing into the share market is possible (not only real estate) and works well in relation to franking credits.
- ✓ Capital Gains - consider crystalising unrealised losses to offset current year capital gains / Defer Asset Sales until next financial year.

2022 TAX TIME CHANGES

Low-income tax offset up to $700: Available for those earning **$37,500 or less.** Reduces for every dollar earned above $37,500.

Low-and middle-income tax offset up to $1,500: Maximum available for those earning **between $48,000 and $90,000**. Offset reduces for people earning above $90,000 or below $48,000.

Income statement – Income statements now replace Payment Summaries and will be available electronically to us via the Tax Agent portal prefill information and also through myGov, or upon request with the ATO.

Temporary full expensing for businesses with aggregate turnover under $5billion may be available. This means an eligible entity can claim in its tax return (for the amount relating to business purposes) the cost of:

- Eligible new assets first held, first used or installed ready for use for a taxable purpose between 7:30pm AEDT on 6 October 2020 and 30 June 2023.
- Eligible second hand assets where the asset was first held, used or installed for a taxable purpose between 7:30pm AEDT on 6 October 2020 and 30 June 2023. This only applies to business with an aggregate turnover under $50 million
- Improvements incurred between 7:30pm AEDT on 6 October 2020 and 30 June 2023. This applies to eligible assets and assets that would have been eligible but were bought before 7:30pm AEDT on 6 October 2020.

Logbook Apps

There are many apps now available that take the hassle out of completing a compliant logbook. These apps will track trips and automatically log every trip your vehicle is driven.

These are handy for making it easier to meet the substantiation requirements for motor vehicles deductions.

Tax on business support grants during 2022 tax year – Many of these grants are non-assessable non-exempt income (NANE), and therefore tax free. NANE grants relate to state and territory grants relating to COVID-19 recovery and Australian government support payments under the business assistance support program.

Re-contribution of early release super amounts – Individuals are now allowed to re-contribute money withdrawn under the COVID-19 early release of super program. These contributions can be made between 1 July 2021 and 30 June 2030 and

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will not be included towards an individual's non-concessional contribution cap.

Changes to super guarantee – the superannuation guarantee is increasing from 10% to 10.5% on 1 July 2022 and to a further 11% on 1 July 2023. Additionally, the $450 per month eligibility threshold is being removed. This means that you will be earning more super and will also be more likely to earn super.

Individuals who **make excess concessional contributions** after 1 July 2021 will no longer pay the Excess Concessional Contribution Charge (ECCC). This coincides with increases in the concessional and non-concessional contribution cap increases. Concessional caps have increased from $25,000 to $27,500 and non-concessional caps have increased to $110,000 from $100,000 from 1 July 2021.

Help to buy scheme under Labor – Scott Morrison's scheme is off the table after the election and Labor's help to buy scheme is in. In the scheme the federal government will contribute up to 40% if the value of your home. You must live in the property and need a minimum deposit of 2%. After the purchase you will need to stay under the income cap of $90,000 for individuals or $120,000 for couples. If your income exceeds the cap for 2 consecutive years you will need to begin paying back the government for the part they contributed.

COVID-19 test deductions – From 1 July 2021 employees may be able to claim deductions for the cost of COVID-19 tests. To claim a deduction you must have purchased a COVID-19 test (PCR or rapid antigen) and not been reimbursed, have used the test for work purposes (generally a requirement of the employer), and have kept records of the expense.

COVID-19 tests FBT – If an employer has provided or reimbursed COVID-19 tests to employees for work purposes after 1 July 2021, they may be able to reduce the taxable value by applying the otherwise deductible rule. If COVID-19 tests are the only fringe benefit provided to your employees for the FBT year, and you have reduced the taxable value to nil, there will be no liability and no need to lodge an FBT return.

If you have any questions or would like further clarification of any of the items contained within, please do not hesitate to contact us. Thank you for your continued support which is much appreciated. We welcome all referrals so if you know of anyone who may need our assistance, please do not hesitate to pass on our details.

Regards David & the IAS team

Four Priorities for the ATO this tax time

The ATO will be focusing on:

- record-keeping
- work-related expenses
- rental property income and deductions, and
- capital gains from crypto assets, property, and shares.

These ATO priority areas will ensure that there is an appropriate level of scrutiny on correct reporting of deductions and income.

PROPERTY TAX DEPRECIATION

If you have an investment property, it can potentially receive depreciation allowances, which are non-cash deductions against your assessable income. Houses, units and commercial properties all qualify. Despite reduced claims for existing residential properties that are purchased, there are still substantial benefits from depreciation.

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