# + 2019 Tax Planning and Year End Issues

## Tax Planning

We wish to make you aware of the following tax planning strategies:

Defer Income

Consider deferring the issuing of invoices near year-end to receive cash/debtor payments in the following year. This delays the deriving of income and defers tax payable to a future year.
Where possible you might plan to receive investment income (eg. interest on term deposits) and arrange the contract date for the sale of CGT assets after 30 June.

Bring Forward Deductions

Consider purchasing consumable items (eg. printing, stationery, office and computer supplies) or making payments for repairs (whether business, rental or employment) before 30 June.

Employers to Pay Employee Super Before Year End

Superannuation is only deductible in the year in which it is actually paid, even if you use the accruals (rather than cash) basis for recognising income. The Tax Office consider employee superannuation paid when it has been processed (which could take up to a week) by the Small Business Superannuation Clearing House ("SBSH"). Accordingly process year end employee super payments via the SBSCH by 24th June.

Maximise Deductible Superannuation Contributions

Where appropriate, you might make full use of your $25,000 annual concessional (deductible) superannuation contributions. $25,000 is the maximum of employer super guarantee and personal deductible contributions per person per year. However, don't exceed this limit as you will pay more tax (the excess is included in your assessable income and taxed at your marginal tax rates and there is an excess concessional contribution charge). Remember when aged 65 or older you need to satisfy a work test (working 40 hours or more over a 30-day period in the year of contribution) in order to be eligible to make personal superannuation contributions.

Salary Packaging Tools of Trade and FBT Exempt Items

Some employers allow their employees to salary package. Unless the employer is a Public Benevolent Institution (such as a hospital) fringe benefits tax ("FBT") will be an issue. However, salary packaging items which are either concessionally treated or exempt from FBT can be useful for some employees.
Employees may be able to salary package handheld/portable tools of trade, notebook computers, protective clothing and mobile phones (provided the private use is only minor and incidental) without FBT applying. When structured correctly, the employer will claim a tax deduction for reimbursing the employee for such items and claim any GST input tax credit. This results in the employee not paying the GST and effectively claiming an immediate deduction for such items through a reduced assessable salary.

Maximise Motor Vehicle ("MV") Expenses

There are now only two acceptable methods for claiming MV expense; the log book (where you must keep an accurate and complete details for a 12 week period) or the cents per kilometre method (where using a reasonable estimate of up to 5,000 kilometre per year, multiplied by 66 cents per kilometre).

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<u>Ensure Minimum Pension is Taken if you have Started an Account-Based Pension</u>

When receiving an account-based pension from a superannuation fund, it is important that the minimum annual pension payment is paid by the fund to the member before 30 June. If not, the superannuation fund will be taxed at 15% (instead of nil tax) on its earnings for the year.

<u>Government Super Co-contribution</u>

To be eligible for the government super co-contribution (where the government contributes an additional amount to your super you must:

- have made personal non-concessional (undeducted) contributions into your super account for the year;
- have adjusted taxable income (taxable income plus adding back any rental losses and personal concessional super contributions and adding reportable fringe benefits and reportable employer super contributions) of less than $52,697 for the year ended 30 June 2019 (the rebate reduces when adjusted taxable income exceeds $37,697);
- be less than 71 years of age as at the end of the financial year;
- lodge your tax return;
- have not contributed more than the non-concessional contributions cap (generally $100,000 per year but subject to a bring-forward rule of the next two years where aged under 65); and
- have a total superannuation balance of less than $1.6 million.

## Year End Issues

<u>Employer Year End Obligations</u>

A reminder for employers to:

- issue PAYG Payment Summaries;
- complete the Return to Work SA annual reconciliation; and
- lodge Taxable Payments Annual Reports (for specified industries only).

<u>Single Touch Payroll ("STP")</u>

From 1st July 2019 all employers (some limited exceptions apply eg. if you have limited or patchy internet) are required to report the wages and super paid to and for employees to the Taxation Office via STP each pay run. Check with your current software provider or consider one of the low cost or no cost payroll solutions available at: https://www.ato.gov.au/business/single-touch-payroll/in-detail/low-cost-single-touch-payroll-solutions/?=redirected_STPsolutions

This will be a major compliance hassle and a potential disincentive for micro businesses to employ. We understand the Tax Office are now considering quarterly reporting but expect additional major practical adjustment/options. Accordingly, don't panic if this seems to difficult/costly as it is highly likely the Tax Office will make adjustments/provide alternative options. If all else fails, we can lodge on your behalf.

*Please contact our office with any accounting or taxation questions.*

MAIN OFFICE 34 Victoria Street, Victor Harbor, SA 5211 Tel 08 8552 2822 Fax 08 8552 4481 admin@priceroberts.com.au **priceroberts.com.au**
BRANCHES 31a Cadell Street, *Goolwa* 84 Main Road, *Yankalilla*