

Time again for the usual end-of-financial-year update. Here are some of the key changes affecting this year's tax outcomes, and what to expect for the next 12 months.

As always, please note the disclaimer at the bottom of the page and make sure you contact me to discuss any tax plans before acting on them, just to make sure that they will be effective for your circumstances.

NEW WEBSITE PAGE FOR FAQ'S

A new "Tips & Tools" page has been added to our website to answer some of the **questions that are most frequently asked** by clients, and to explain some of the aspects of the taxation system which may affect you at times, and can be confusing.

Some examples of the questions included there are:

[I have private health insurance. Why do I still pay the Medicare Levy?](#)

[Why do I have to pay the Medicare Levy Surcharge?](#)

[How do I substantiate my vehicle expense claims?](#)

[Can I claim for meals, accommodation and other travel expenses?](#)

[Can I claim for clothing and laundry expenses?](#)

[Can I claim my self-education expenses?](#)

[Home Office expenses. What can I claim?](#)

[What other expenses may I be able to claim?](#)

[Can I claim my voluntary super contributions?](#)

You will find it helpful to consult the answers to these questions when preparing your tax information.

There are also two very helpful software (Microsoft Excel) tools that you can download and use if you wish:

1. A **motor vehicle log book** to help you substantiate your percentage of business or work-related use.
2. An **electronic cashbook** to help you record and categorise your business receipts and payments, and to assist with calculating your net GST position if required.

When you are ready to make an appointment for your 2023-24 tax, please give us a call and let us know whether you prefer a telephone or a "Zoom" appointment.

Alternatively, you can send us your information electronically. See the FAQ [How can I send you my information?](#) on the "Tips & Tools" page of our website for the various methods of doing that.

CURRENT YEAR (2023-24)

Individual Tax Rates

There have been no changes to these for the 2023-24 year.

Deductible Superannuation

The deductible limit for superannuation for 2023-24 remains unchanged at **\$27,500** per person. Please note that this is the total deductible amount from ALL sources, so if you are considering making additional voluntary contributions, make sure you allow for amounts already contributed by your employer(s). See also the FAQ's on our website for additional information about the tax implications if you exceed this deductible limit.

Small Business Instant Asset Write-Off

For the past few years, small businesses have been able to immediately claim the cost of eligible assets in full, irrespective of cost. This was known as "Temporary Full Expensing". These measures ended on 30 June 2023 and no longer apply.

They have been replaced with the resurrected "**Instant Asset Write-Off**", which allows businesses with turnover of less than \$50 million to immediately claim the cost of business assets up to a maximum of **\$20,000 per asset**. There is no limit to the number of assets that can be claimed. (Note that this is the GST-exclusive cost of the asset, so – if your business is registered for GST – an asset with a GST-inclusive price of \$22,000 would qualify).

Please note that at the time of writing this newsletter, there were measures before Parliament to increase the GST-exclusive threshold to \$30,000, but these had not yet been enacted.

Small Business Energy Incentive

To encourage reliance on renewable energy sources and electricity (which can be produced using renewable sources), a new bonus deduction has been introduced

for the cost of eligible assets purchased for business purposes. This is **only available for the 2023-24 income year**, and allows a claim of 20% in addition to what is normally claimed either as depreciation or an instant asset write-off.

The total value of new assets that this can apply to is \$100,000, resulting in a maximum additional claim per small business of \$20,000.

To qualify, the asset purchased must use electricity, AND at least one of the following conditions must be met:

1. There is a new comparable asset on the market that uses fossil fuel.
2. The asset was purchased to replace another asset that is less energy efficient.
3. The asset is more energy efficient than another new asset that is available on the market.

When you consider these conditions, it becomes apparent that **almost every new asset which uses electricity will qualify** for this bonus deduction (unless you deliberately buy the model with the worst energy rating). So, for example even a new toaster or coffee machine for the office will usually qualify. Other more obvious business assets which are likely to qualify are: electric power tools, computers, monitors, printers, photocopiers, air conditioners, and even TV's.

Of course, we have no way of knowing whether the assets you have purchased are eligible, so if you believe you have purchased qualifying assets, **you will need to identify these when you send us your tax information**. Please provide:

- The type of asset purchased.
- The date purchased.
- The cost of the asset (if your business is registered for GST, this needs to be the GST-exclusive cost).
- A statement that you believe the asset qualifies for the Small Business Energy Incentive.

And, of course, you will need to retain documentary evidence to support the additional 20% claim.

Tax Loss Carry-Back

This provision for companies to "carry back" tax losses and offset them against profits of recent prior years (resulting in a refund of tax paid in those prior years) has now expired. Any tax losses incurred in the 2023-24 year will need to be carried forward, and can be used to reduce future taxable profits.

NEXT YEAR (2024-25)

Individual Tax Rates

Commencing 1 July 2024, income tax rates for ALL individuals will be reduced (irrespective of their level of income).

The new marginal tax rates will be:

<u>Taxable Income</u>	<u>Tax rate</u>
Up to \$18,200	NIL
\$ 18,201 – 45,000	16.0%
\$ 45,001 – 135,000	30.0%
\$135,001 – 190,000	37.0%
Over \$190,000	45.0%

(Note that the above rates do not include the medicare levy, which is unchanged at 2% of taxable income).

Superannuation Guarantee

The mandatory superannuation guarantee which applies to employee wages will increase to **11.5% from 1 July 2024**. If you have employees, please ensure that you make the necessary changes to your payroll system from that date.

Small Business Instant Asset Write-Off

This measure has been extended for the 2024-25 year for assets costing less than \$20,000.

Deductible Superannuation

The deductible limit for superannuation for 2024-25 will be increased to **\$30,000** per person.

ATO COMPLIANCE FOCUS

In addition to the usual need to keep proper records of all your expense claims, the following 2 areas are also likely to attract special attention this year . . .

Rental Properties

Please see page 3 of last year's newsletter for the key issues to be aware of. These are also explained on the "Tips & Tools" page of our website. (See the question: [What other Rental Property issues should I be aware of?](#)).

Fringe Benefits Tax (FBT)

The Tax Office has indicated that it is especially focusing on cars where there is considerable private use and yet 100% of the vehicle expenses are being claimed as tax-deductible by the business, and no Fringe Benefits Tax return is being lodged. The ATO believes the practice is widespread (and it probably is) and is ready to conduct audits where it detects non-compliance with the law.

If you believe your business may be affected, please let me know. There are various methods of legitimately reducing the amount of FBT payable.

AND FINALLY . . .

As always, please contact me if you have questions about any of the matters discussed here, or if you would like assistance with year-end tax planning.

- Tony Kernan