Headlines

Our views on tax news

TAX PLANNING 2019

With the end of the 2019 financial year fast approaching, now is a good time to think about opportunities and risks that should be addressed before 30th June 2019.

To assist, we have included some of the key issues that you should be thinking about now. If you would like to discuss any of these please contact our office.

In this newsletter:

- 2019 Tax Planning – more than just minimizing tax
- Tax risk assessment
- Recent changes
- Year-end obligations and house-keeping tasks
- Moving forward
- Minimising Tax – deferring income and maximising deductions

TAX RISK ASSESSMENT

Tax risk is the risk that some type of event associated with tax will occur that will interfere with you achieving your goals. You can assess your tax risk by reviewing:

- Whether you are involved in an area of focus of the ATO (the ATO regularly publish details of projects and broad areas of focus);
- Whether you have been involved in high value or one off transactions;
- The complexity of your affairs;
- Whether your returns and activity statements are lodged and payments are up to date; and
- Your trading figures and notional rate of tax and whether you can explain departures from industry averages.

Once any risks have been identified, you can then look at strategies to mitigate or minimise this risk. This may be as simple as ensuring you have adequate documentation on hand to support any ATO requests in the event of a review or audit.

RECENT CHANGES

Some Recent changes which may apply to you:

- The instant asset write off has been extended to 30 June 2020, the threshold has also been increased from $20,000 to $30,000 for assets purchased after 7:30pm on 2 April 2019
- Single touch payroll (STP) becomes mandatory for all employers from 1 July 2019
- All individuals are now eligible to claim a tax deduction for personal superannuation contributions. This is subject to the superannuation cap of $25,000 so employer contributions made on your behalf should also be considered
- Access to company losses where the ‘Continuity of Ownership’ test has not been met has been increased with the new “Similar Business Test”
- Members aged 65 years old or older may choose to make a downsizer contribution of up to $300,000 into superannuation from the proceeds of selling their primary residence (subject to meeting certain eligibility criteria)

2019 TAX PLANNING – MORE THAN JUST MINIMISING TAX

As we head into June, taxpayers should be turning their thoughts to their year-end tax planning process.

Many people think that tax planning means simply minimizing tax. While this may be a welcome outcome, at Henderson Edelstein we believe this is only part of the process and that that tax planning should involve a more holistic approach to your tax affairs, including:

- Undertaking a risk assessment on your tax affairs;
- Being aware of recent changes;
- Attended to year end obligations and house-keeping tasks;
- Reviewing transactions to determine if there is an advantage (or disadvantage) obtained by bringing forward or deferring transaction.

“By failing to prepare, you are preparing to fail.”

Benjamin Franklin

MOVING FORWARD

As well as looking at the current state of your affairs, the start of a new financial year is also a good time to consider what your plans are going forward so that you can properly position or structure your affairs to best take advantage of available opportunities and mitigate potential risks.

This may include considering:

- Assessing the performance of your business and setting goals or KPIs to measure your performance for the new year
- Standardising your business processes and accounting functions
- Plans for expanding your business
- Proposed investment purchases
- Business succession or exit plans
- Planning for your retirement

YEAR END OBLIGATIONS / HOUSEKEEPING TASKS

Some year-end obligations and housekeeping tasks which you should consider before 30 June 2019 are listed below:

- Review your trade debtors listing and write off all bad debts before 30 June 2019.
- Reviewed asset registers or depreciation schedules to ensure that all assets are still on hand or in use and identify any assets which are obsolete or have been disposed
- Carry out a stocktake on or as close to 30 June as possible. Review inventory lists to identify any obsolete or worthless items which should be written off.
- For discretionary trusts, document the trustee’s decision in respect of the distributions to be made by the trust for the 2019 financial year.
- Check whether any of the beneficiaries for the 2019 financial year have turned 18 during the year, or if there are any new beneficiaries included in the distributions for the year. If so, the ATO will need to be notified of their tax file numbers by 31 July 2019.
- Make sure superannuation contributions are paid *and received by the superannuation fund* by 30 June 2019 in order to claim a deduction for these in the 2019 financial year. Payments made via a SuperStream provider/application will often need to be made days before the end of the year in order to be processed in time. For example, the small business clearing house requires these to be done by today (21 June 2019).
- Ensure you have drawn your minimum pension for the 2019 financial year from your superannuation fund by 30 June 2019

MINIMISING TAX – DEFERRING INCOME AND MAXIMIZING DEDUCTIONS

The most common strategy for minimising tax involves deferring income and maximising deductions.

The timing of certain transactions can effect when these need to be brought to account for tax and as a result can have a large impact on cashflow due to when any associated tax liability needs to be paid. Deferring income by one or two days at the end of the year, could defer tax by a year or more. Similarly, bringing forward deductions by a day or two at the end of the year, could also bring forward a tax deduction by a year.

- Capital gains are generally assessable when contracts are exchanged, not settled. Consider whether exchange can be deferred until after year end where transactions will give rise to capital gains.
- Sales of depreciating assets are usually assessed in the year in which settlement occurs. It may be worthwhile considering deferring settlement until after year end where a profit is likely to arise.
- Income received in advance of services being provided can be deferred if it is accounted for correctly and subject to repayment based on performance.
- After considering cashflow and other commercial reasons, taxpayers who provide professional services may consider, in consultation with their clients, rendering accounts after 30 June in order to defer the income.
- For Superannuation Guarantee (SG) payments to be deductible, simply making the payment by June 30 is not sufficient. These amounts must be received by the superannuation fund by 30 June.
- Small businesses (with a turnover of less than $10 million) can consider prepaying up to 12 months of next year’s expenses, such as rent, advertising, subscriptions, insurance etc.
- Small businesses can also claim an immediate deduction of assets costing up to $30,000
- Individual tax-payers may also consider prepaying deductions of expenses such as work-related subscriptions in order to bring forward the deduction on these