The Bottom Line NEWSLETTER

Winter 2022 - Issue No. 94

elphinstone stevens pty ltd

Tax Planning

Has your business had a profitable year? It may be wise to contact us regarding tax planning opportunities prior to June 30 to legally reduce the amount of tax you have to pay. The ways in which you can do this will largely depend upon whether your business is eligible for the Small Business Tax Concessions (turnover less than $50 million excluding GST).

To defer income, businesses can postpone customer invoicing until after 30 June. Businesses not claiming the small business concessions may also defer asset (plant) sales until after 30 June.

If your business is eligible for the Small Business Tax Concessions you may also consider:

- Purchasing plant and equipment as an immediate deduction is available
- Prepay expenses likely to be incurred over coming months (up to 12 months).
- If you are leasing equipment up to 12 months of lease instalments can be paid prior to 30 June and claimed as a deduction.

All businesses should review their debtors and write off any bad debts before 30 June 2022. You should also consider making donations a Deductable Gift Recipient (DGR) prior to 30 June in order to claim as a tax deduction.

If you are a Primary Producer, the following may also apply:

- An individual may use Farm Management Deposits (FMDs) – a particular bank account where you deposit minimum of $1,000, maximum $800,000. You are able to claim a deduction for the deposit, provided you meet other eligibility criteria (ie. Non-Primary Production Income less than $100,000 is one of these). The funds must be invested for at least 12 months. The withdrawal will then be treated as assessable income in the year withdrawn.
- Build/Buy water conservation assets (ie. dams, tanks, irrigation channels pumps etc. – An immediate deduction is available.
- Construct fodder storage assets – An immediate deduction is available (this includes barns & silos used to store grain).
- Renew fencing. Fencing costs including new fences can also be immediately deducted.

If cash flow allows, anyone in business may wish to bring forward repairs or major services required. Individuals may claim a tax deduction for personal superannuation contributions. Please be aware, any contributions deducted will be taxed at 15% within the fund and the maximum concessional contribution is generally $27,500. There are other rules surrounding this also.

It is important to note, bringing forward tax deductions or deferring income to a later year will of course affect the next year; which may have an adverse effect if you defer too much to the following year. To determine the most tax effective strategy, it is best you speak to us and we can assist in determining your estimated 2022 taxable income and hence estimated tax.

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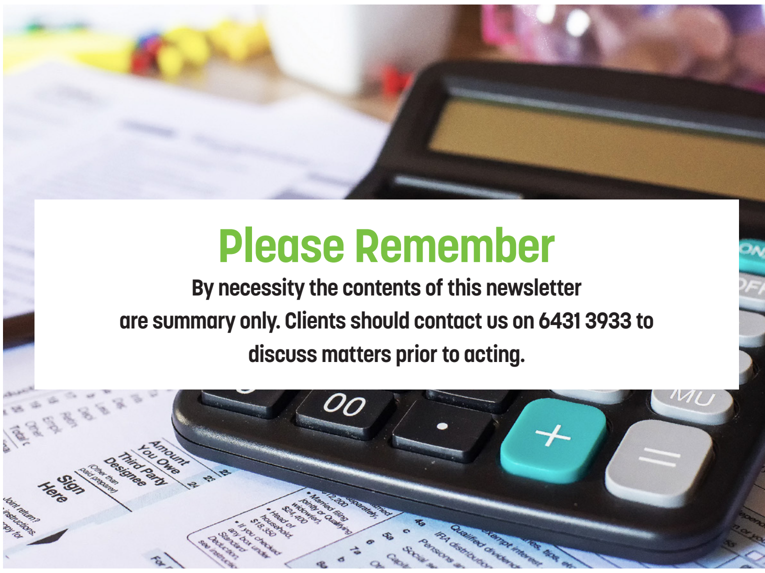


Please Remember

By necessity the contents of this newsletter are summary only. Clients should contact us on 6431 3933 to discuss matters prior to acting.

Disclosure of Business Tax Debts

The ATO is in the process of writing to taxpayers that may be eligible to have their tax debts disclosed to credit reporting bureaus ('CRBs').

The ATO can potentially report outstanding tax debts to a CRB where the following criteria are satisfied:

- The taxpayer has an Australian business number and is not an excluded entity (ie deductible gift recipient, complying super fund, registered charity or government entity);
- The taxpayer has one or more tax debts and at least $100,000 is overdue by more than 90 days;.
- The taxpayer is not engaging with the ATO to manage their tax debt; and
- The taxpayer does not have an active complaint with the Inspector-General of Taxation about the ATO's intent to report its tax debt information.

The purpose of the correspondence from the ATO is to raise awareness of the actions that the ATO can now take under the Disclosure of Business Tax Debts measure.

The letter will be sent to all taxpayers with business tax debts that currently meet the criteria (discussed above) for disclosure.

If you receive one of these letters you should engage with the ATO as soon as possible to either make payment of the debt in full or negotiate a payment plan.

If an eligible taxpayer does not take steps to actively manage their debt, they will remain eligible for disclosure.

Before the ATO takes any final action to disclose a tax debt, it will issue the taxpayer with a formal Intent to Disclose Notice.

If a taxpayer receives an Intent Notice, asking them to 'Act now or your tax debt will be reported to credit reporting bureaus' the taxpayer or their tax agent must contact the ATO within 28 days of receiving the notice to avoid the debt being reported.

It is crucial for taxpayers to engage with the ATO early before their debts become unmanageable.

Director ID - Reminder

Are you a Company Director? Do you have a Director Identification Number? Existing Directors have until 30 th November 2022 to obtain their DIN. Please visit https://www.abrs.gov.au/director-identification-number or phone the office for more information.

Penalties for overdue TPAR

The Taxable payments annual report ('TPAR') must be lodged by 28 August each year. Taxpayers who operate in certain industries and that make payments to contractors may need to report these payments in a TPAR.

Affected industries where taxpayers may have an obligation to lodge a TPAR are:

- Cleaning services;
- Building and construction services;
- Road freight;
- Courier services;
- Information technology services;
- Security, investigation or surveillance services.

From 23 March 2022, the ATO will apply failure to lodge penalties to those who:

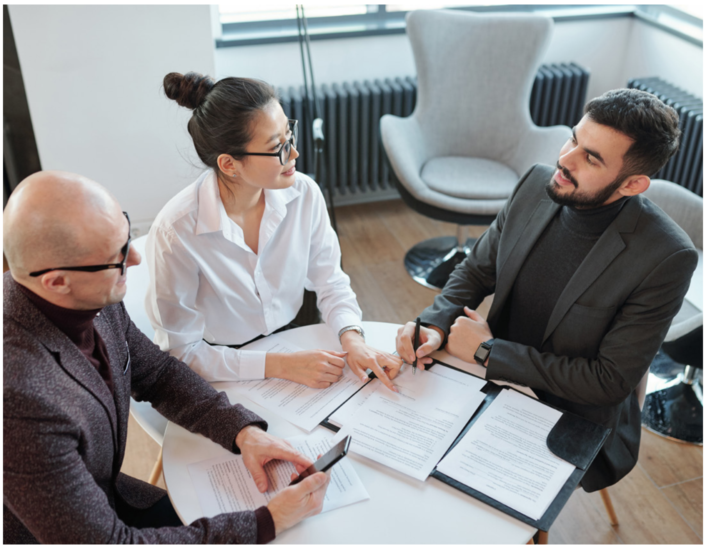
- did not lodge their 2021 or prior year TPAR;
- have already been sent three non-lodgment letters about their overdue TPAR;
- do not respond to an ATO follow-up phone call about their overdue TPAR.

In the coming weeks the ATO may be phoning tax agents (or taxpayers directly) about their overdue TPAR, to follow up the non-lodgment letters that have been sent.

Reminder - Employee Super Changes from 1 July 2022

Employers should be aware that the compulsory 10% SG rate is going to increase to 10.5% from 1 July 2022. Also a reminder from 1 July 2022, the $450 threshold will be removed; meaning employers will have to make SG contributions regardless of how much the employee earns (unless they are under 18 and working less than 30 hours per week).

Some software providers will update for these changes automatically and others will require a manual change. Now is a good see what steps you may need to take to implement these changes within your software system.



Primary Producer Safety Rebate Scheme

The Primary Producer Safety Rebate Scheme of $2 million has been available from 1 October 2021.

The rebate scheme aims at reducing the most common hazards that can cause death and injury in the agricultural sector, such as unsafe practices involving quad bikes and tractors, manual handling, and being hit by animals.

Rebates of up to $5,000 are available for eligible items that address these common hazards.

The Tasmanian Government is encouraging relevant workplaces to take part in the rebate scheme, to help reduce farm deaths and injuries.

Eligibility
The rebate scheme is specifically available to workplaces within the agriculture sector that:

- have farming as their main source of income
- operate a business in Tasmania
- are a small business, medium business or sole traders (owner - operators).

As part of your application, you'll need to identify the hazard/s at your workplace, explain what the risk associated with that hazard/s are, and why implementing the eligible items would mitigate that risk/s.

What is included?
The rebate is available for eligible items that can remove or reduce the risk to safety caused by
the common 5 hazards facing the agricultural sector. These hazards are:

- being hit by moving objects
- body stressing (manual handling/muscular stress)
- falls, trips and slips
- hitting objects with a part of the body
- vehicle incidents.

Applying for Rebate
For more information and details on how to apply please visit:
https://worksafetas.smartygrants.com.au/primaryproducersafetyrebatescheme

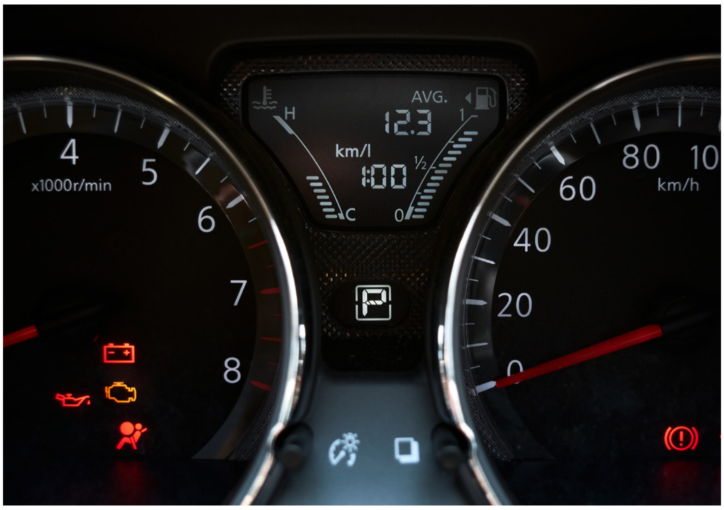
Low and Middle Income Tax Offset (LMITO)

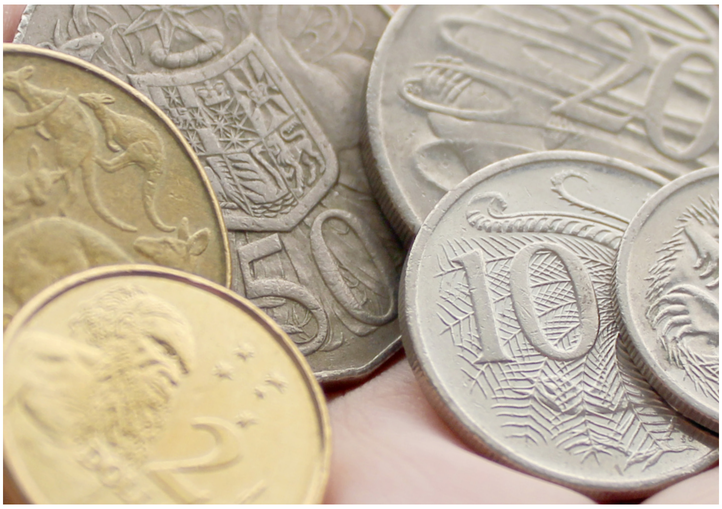
The Government has announced a once-off $420 'cost of living tax offset' for the 2022 income year, which will be provided in the form of an increase to the existing LMITO. This will increase the maximum LMITO benefit to $1,500 for individuals and $3,000 for couples, and will be paid from 1 July 2022 when 2022 income tax returns are lodged.It should be noted that LMITO can reduce the tax liability to nil but will not generate a refund. The offset is not available from the 2023 income year.

Cents Per Kilometre Deduction For Car Expenses – 2023 Income Year

The ATO is proposing to increase the cents per kilometre method for claiming a tax deduction for work-related car use for the 2023 financial year. The increase is from 72 cents per kilometre in 2022 to **75 cents per kilometre** in 2023. The cap of 5,000 business kilometres annually will still apply.

As a reminder the cents per kilometre method can only be used for vehicles classified as cars (i.e designed to carry less than one tonne and fewer than nine passengers). If your vehicle is not classified as a car, a valid 12-week logbook will need to be kept and the logbook method used to claim a tax deduction for motor vehicle expenses. Provided circumstances don't significantly change logbooks are valid for 5 years.





50% Reduction in Fuel Tax Credits

Fuel excise on petrol and diesel has been reduced by 50% from 30 March 2022 to 28 September 2022. The fuel excise reduction from $0.442/litre to $0.221/litre will mean the off road fuel tax credit tax offset will be reduced to $0.221/litre for this period. Businesses using fuel in heavy vehicles for travelling on public roads won't be able to claim fuel tax credits. This is because the road user charge exceeds the excise duty you'll pay, and this reduces the fuel tax credit rate to nil.

Client Profile - Frampton Family

Elphinstone Stevens again congratulate Rob and his parents Norm & Lesley on their recent win as the Weekly Times 2021 Australian Dairy Farmer of the Year. A fantastic achievement that is very well deserved.

The Frampton family have been farming on their property 'Strathalbyn' at Gawler for six generations. Managed now by Norm, Lesley and Rob Frampton the farm size has changed considerably over the years and now includes 235 Ha with interests in another 180 cow dairy farm.

The farm is milking 400 cows seasonally supplying milk to Cadburys. They employ one full time employee and a casual milker.

Their aim is to target low cost production, trying to keep within the boundary of the farm resources and varying climate, while trying to use ethical farming practices.

The cows calve in early July, trying to match pasture growth to cow requirements throughout the year. The cows are bred using NZ Friesian and cross breeds to suit their grazing system of farming. They have also included some polled genetics as well as using the French Normande breed for their dual purpose advantage.

They use very few sprays on their mixed pasture species and not using nitrogen fertilizer or making silage sets them apart. They do feed some grain and use irrigation to help feed the cows.

40 kw solar on dairy and pumps with timers on everything possible to utilise the solar power generated during the day, which is not usually when the cows are milked, reducing costs by about 70%.

Vehicles are used with efficiency in mind, including auto pickup drawbar, no lift calf trailer and battLatch auto gates. Chicken caravans follow the cows to help with fertility and bug control.

The Frampton's are aiming to produce a profitable, high quality, environmentally sustainable product using high animal welfare standards.