BCFR
Chartered Accountants

2020

Tax Planning for Business

Is your business ready for tax time?

Each business is unique and has different circumstances, therefore should not all be placed in the same category. Whilst this guide will outline various important factors to consider this tax year we recommend you get in touch with one of our accountants who can provide you with specific advice relevant to your circumstances. Not everyone will be eligible or affected by the recent changes which we will outline below.

Increased threshold for instant asset write-off

The instant asset write-off threshold amount has been increased to $150,000 (up from $30,000) for businesses with an aggregated (group-wide) turnover of less than $500 million (up from $50 million) until 30 June 2020. The following table summarises the threshold depending on turnover for the 2019-20 financial year:

Date first used (or ready for use)	Asset Cost	Business Turnover
01/07/19 – 12/03/20	30,000	$50 Million
12/03/20 – 30/06/20	150,000	$500 Million

Small businesses who wish to claim the asset write-off must use the small business simplified depreciation rules. If your small business pool balance is less than $150,000 at the end of the 2020 year, you can claim a deduction for the entire pool balance. Ordering an asset or paying for it prior to 30 June 2020 is not enough and you must also ensure the asset is delivered and installed ready for use by 30 June 2020.

Accelerated Depreciation – assets not eligible for instant write-off

Businesses with a turnover of less than $500 million will be entitled to the following deductions on eligible assets purchased and first used (or installed ready for use) between 12 March 2020 and 30 June 2021:

a) Immediate deduction for 50% of the cost of the asset in the year purchased; and
b) The remainder would be claimed under ordinary Division 40 rules [i.e. the cost of the asset on which depreciation is calculated is reduced by the 50% amount claimed at (a)]

For small businesses using the simplified depreciation rules can claim 57.5% (up from 15%) of the value of the equipment in the year purchased where an immediate deduction is not available

Jobkeeper

Eligible employers whose turnover has been affected by COVID-19 can apply to the Australian Taxation Office (ATO) to access a subsidy from the Government of $1,500 per fortnight for each eligible employee per fortnight. The subsidy ends on 27 September 2020.

If your business' turnover has declined in any month from March 2020 compared to the same month in 2019 by 30% or more you may be eligible to enroll in the program.
Note, there are special rules to calculate the decline and we recommend you contact us immediately to check your eligibility. JobKeeper payments are assessable income and subject to tax.

Cashflow Boost

The ATO will provide a cash flow boost in two parts to eligible businesses based on the PAYG withheld from payments to employees. The cash flow boost is delivered as a credit on the Business Activity Statements. The final instalment of the first part will be credited on the June 2020 activity statement. If you receive the first boost, you will receive the same amount in the second part credited on the June 2020 and September 2020 activity statements in equal proportions. This is not considered assessable income and so is tax-free.

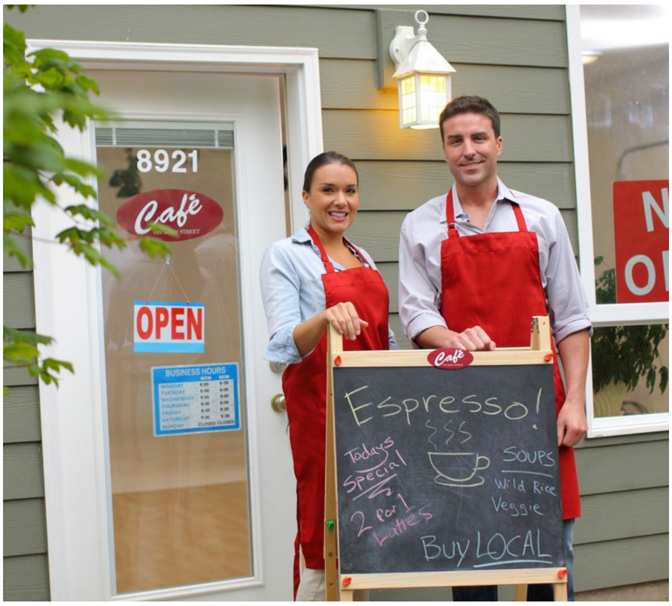
PAYG withholding obligations and deductibility of payments to workers (including directors and associates)

From 1 July 2019, you can only claim a deduction for payments made to workers (employees and contractors) where you have complied with the PAYG Withholding and reporting obligations for that payment. Payments made with no withholding and reporting will be non-compliant payments and not deductible. Payments to contractors will be compliant if you have received an invoice relating to the payment where the ABN has been quoted and you have no reasonable grounds the ABN is incorrect. Particular care must be taken when paying associates (e.g. business owners or their family members) to ensure you meet your withholding and reporting obligations.

Note: It is good business practice to check contractors ABN's and GST registration status (if they have charged GST). ABN's can be checked using ABN Lookup (www.abr.business.gov.au)

Review Loans to Shareholders and Associates (Division 7A loans)

The Government had previously announced its intention to introduce changes to the operation of Division 7A which were meant to apply from 1 July 2020. However, at this stage, no draft legislation has been released. Shareholder loans from companies need to be properly documented and put on a commercial footing in line with the Division 7A tax legislation.



In addition to documenting such loans, it is important to ensure interest rates are correctly applied and the minimum repayments are being made to ensure no deemed dividends arise. The ATO continues to undertake audits to ensure payments made by private companies to shareholders are correctly accounted for and company loans are not used to distribute tax-free profits. In addition to Division 7A loans, you should also review any unpaid present entitlements where trust distributions remain unpaid at the end of the year.

Trust resolutions

Trustees of discretionary and family trusts must make valid distribution resolutions before 30 June to effectively distribute trust income to eligible beneficiaries. If you have not made a valid distribution by 30 June 2020, the Trustee may be liable to pay tax on the Trust's taxable income at the highest marginal tax rate.

Franking and dividends

If your company is planning on paying dividends to shareholders prior to year-end, it is important to ensure that you have met the documentation/notification requirements. In addition, ensure your franking account is up to date as many businesses may have claimed refunds of their PAYG income tax instalments over the last few COVID-19 affected months and it is imperative that you have sufficient franking credits to avoid paying franking deficits tax at a later date.

Reporting – Single Touch Payroll (STP)

As part of your STP requirements, you must make a final declaration for your employees by the following dates:

- 14 July 2020 if you have 20 employees or more; or
- 31 July 2020 if you have 19 employees or less.

If you have made a final declaration by the due date, you will not be required to provide your employees with payment summaries.

However, you will need to provide your employees with payment summaries for any payments not reported through STP. Similarly, you will need to lodge the payment summary annual report with the ATO if payments were not reported through STP.

Reporting – Taxable Payment Annual Report

If you are in one of the following industries, you may need to lodge a Taxable Payment Annual Report by 28th August 2020 containing information in relation to payments made to contractors:

- Building and construction
- Cleaning services
- Courier services
- Road freight services
- Information technology services
- Security, investigation or surveillance services
- Mixed services (provides one or more of the services listed above)

Superannuation Guarantee Amnesty

The amnesty allows employers to disclose and pay previously unpaid employee super guarantee for the quarters commencing 1 July 1992 to 31 March 2020 and claim a tax deduction for these payments provided you make the necessary disclosures to the ATO by 7 September 2020.

In addition the employer will not incur the administration fee of $20 per employee per quarter or a part 7 penalty which could be up to 200% of the unpaid liability.

If you have employees now is a good time to review your superannuation guarantee obligations to ensure you have met these obligations before the amnesty period ends.

TAXPLANNINGCHECKLIST–FOR BUSINESSES

Below is a checklist of the various issues your business should consider prior to year-end. If you would like any assistance, feel free to contact us.

☐ **Accrued Expenses**

Ensure you accrue expenses where you have a present existing liability to pay the expense irrespective of the fact that you may receive the invoice or make the payment after year end

☐ **Bad Debts**

Review your debtors listing and determine whether any debts can be written off. A written record should be kept evidencing the decision to write off the debt from

☐ **Bonuses**

If you have not paid your bonuses by 30 June, you may still be able to claim a deduction provided you have an obligation to pay this. To substantiate this, ensure the amount is quantifiable and approved (via minutes) and the staff are notified of the bonus.

☐ **Deferring Income**

The ability of a business to defer income will depend on each business, cash flows and the type of income derived. However, with the corporate tax rate reducing to 26% (from 27.5%) for certain companies (group-wide turnover of less than $50 million) in the 2021 financial year, it may be appropriate to defer

☐ **Plant & Equipment (increased instant asset write off)**

☐ **Plant and Equipment - Accelerated depreciation**

☐ **Plant and Equipment-- Obsolete**

Review your asset register and write off any assets that have been disposed or are no longer in use.

☐ **Prepayments – Immediate deductions**

☐ **Simplified trading stock rules**

If you are a small business, the simplified trading stock rules may apply so that the you do not have to account for changes in trading stock or complete a stock take for tax purposes where the difference between the value of the original opening stock and a reasonable estimate of the closing stock is $5,000 or less.

☐ **Stock – Obsolete**

☐ **Superannuation - June 2020 quarter**

To claim a deduction for your superannuation guarantee accrued during the June 2020 quarter, ensure it is paid by 30 June 2020. The amount should be received into the employees' fund by 30 June 2020 so you may have to pay it earlier to allow for bank processing time

☐ **Salary and wages [incl. Director Fees]**

Ensure PAYG withholding and reporting obligations have been met or you may lose a deduction for non-compliant payments from 1 July 2019.

☐ **Superannuation - Current year**

Check contributions have paid by the due dates to maintain your income tax deduction. If any amounts have been paid late, ensure you have prepared and lodged the necessary superannuation guarantee charge forms with the ATO to minimise interest charges and penalties.