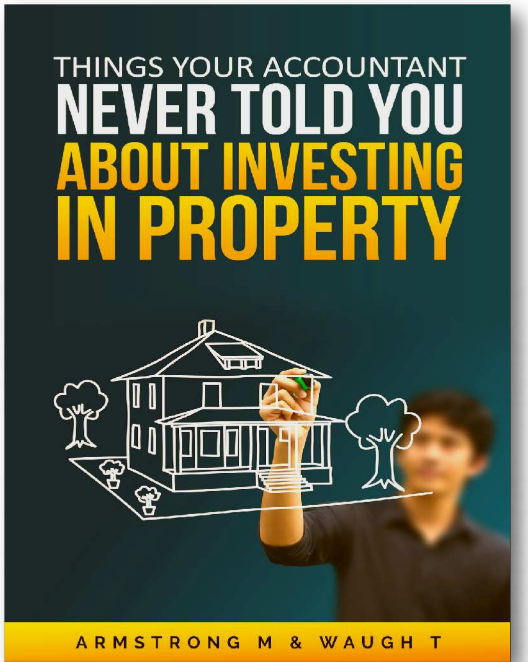
2023 - 2024
Tax Planning

PROPERTY TAX
SOLUTIONS

Income



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PROPERTY TAX SOLUTIONS

Income Deferral

For individuals If you expect lower income in 2024/25 due to retirement or any other reason, consider deferring income or capital gains until after 1 July, when you will be in a lower tax bracket. If you are a primary producer and you expect a permanent reduction in income , consider withdrawing from the income averaging system.

Capital vs Revenue

Analyse income received to determine whether it is on capital or revenue account.

Personal Services Income

If income has been generated through a company or trust consider whether the Personal Services Income rules apply.

Capital Gains

Consider realising capital losses if you have already realised capital gains on other assets during 2023/24. Conversely, consider realising capital gains if you have unrecouped capital losses, or you expect substantially higher income in 2024/25 compared to 2023/24.

Consider if you can apply any concessions to the sale of a small business and potentially reduce the gain in some instances to zero.

Consider whether a superannuation contribution reserving strategy will assist.

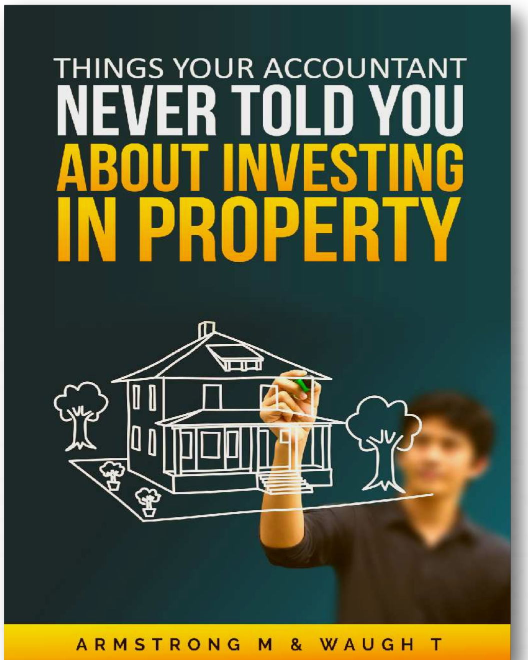
Foreign Tax Offsets

Determine whether you can claim a tax offset for any foreign taxes paid on income generated offshore and when that foreign income tax offset can be claimed.

Term Deposits and Investments

Subject to cashflow requirements, set term deposits and other interest bearing investments to mature after 1 July, rather than before 30 June.

Deductions



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Gifts and Donations

Consider making any tax deductible gifts or donations and ensure that the recipient is a Deductible Gift Recipient and you have adequate documentation.

Prepayments

Consider whether it was worth making a prepayment of expenses for a payment that is incurred for an eligible service period not exceeding 12 months.

Bad Debts

Determine whether any amounts recorded as income are unlikely to be received and whether these amounts can be claimed as bad debts.

Plant and Equipment

Review your asset register and whether items are obsolete and can be scrapped and the value written off.

Consider delaying the sale of assets that will realise a profit on sale and bringing forward the sale of assets that will generate a loss.

Consider the instant asset write-off. The government has announced that for the 2023/24 income year the threshold will be $20k (but moved by Senate to be $30k). Small businesses with aggregated turnover of less than $10m will be able to deduct the full cost of eligible assets.

Remember the Temporary Full Expensing rules ended on 30 June 2023

Motor Vehicles

Consider keeping a logbook for a 12 week period. Ensure you have kept all receipts.

For businesses be aware of the requirement for reporting of any Fringe Benefits.

Consider the FBT exemptions for Electric Vehicles

Start Up Expenses

Review your start -up expenses and whether the following may be fully deductible instead of being capitalised.

1. Professional Advice and Services relating to the structure or the operations of the proposed business
2. Payments to Australian Government Agencies.

Small Business Energy Incentive

Small and Medium Businesses with an annual turnover less than $50m are eligible for an **additional 20% deduction** on spending that supports electrification and more efficient use of energy.

Eligible assets or upgrades will need to be first used or installed ready to use between 1 Jul 2023 and 30 June 2024. Capped up to $100k of total expenditure. **Max bonus tax deduction being $20k**

Home Office Expenses

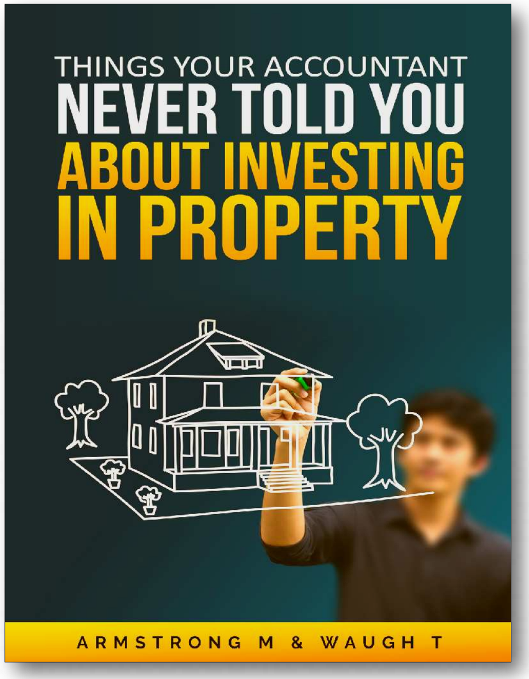
Consider whether the best opportunity is provided by using either

1. **Revised Fixed Rate Method.** An amount of 67 cents per hour you work from home for expenses such as data an internet, mobile and home phone usage, electricity and gas, computer consumables and stationery. **You no longer require a dedicated home office to use this method.**

   From 1 March 2023 (so for the 2024FY this is applicable) you must keep a record of all the hours you worked from home. Our resources section includes a diary for this purpose.

2. **Actual Cost Method.** The actual expenses you incur as a result of working from home.

Superannuation



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Superannuation

There are a number of superannuation measures to consider

- Concessional (before tax) contribution limit is **$27,500** for 2023/24 regardless of your age.
- Non Concessional (after tax) contribution limit is **$110,000** (or up to **$330,000** under the bring-forward rule).
- The total super balance requirement to make non concessional contributions increases to **$1,900,000**
- The 'work test' has been removed for individuals aged **65 and 66.**
- Consider making a tax deductible contribution to superannuation up to the concessional contribution limit.
- If you have a total superannuation balance of **less than $500,000** just before the start of the financial year consider making 'catch-up' contributions
- Ensure superannuation expenses for employees in a business have been paid and received by the fund prior to 30th June to claim a tax deduction in the current year.
- **Consider super splitting** that allows couples to divide super between themselves

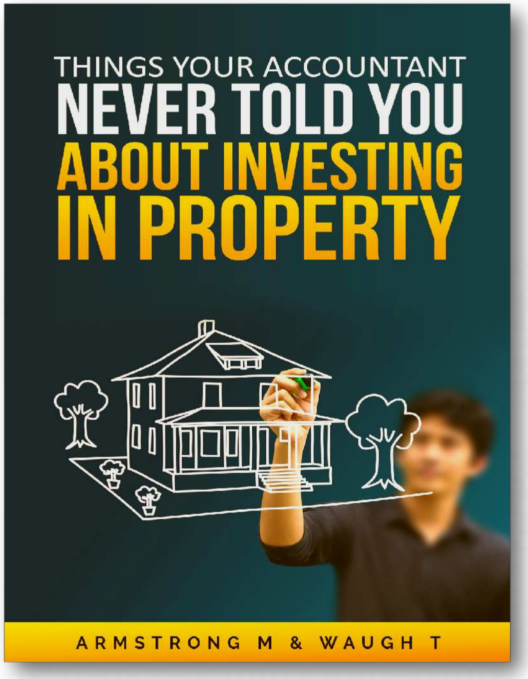
Pensions

When you have a pension account you need to withdraw a minimum amount each year.

Minimum pension drawdown rates

Your age on 1 July or commencement of pension*	Minimum drawdown rate (% of account balance)
Younger than 65	4
65-74	5
75-79	6
80-84	7
85-89	9
90-94	11
95 or older	14

Property



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Property

- Consider obtaining a Tax Depreciation Schedule. Don't overclaim for depreciation expenses. Ensure depreciation on plant and equipment complies with the changes to the rules on claiming these expenses.
- Ensure you are not claiming for travel expenses to your rental property unless a specific exemption applies.
- Ensure you have claimed borrowing costs over a 60 month period
- Consider whether the costs relating to vacant land are deductible. Land is considered vacant while premises are being constructed or substantially renovated. **Be aware of the rules re constructing on vacant land**
- Consider prepayment of expenses , for example prepaying interest, if your income in the 2024/25 year is expected to be lower than the 2023/24 year.
- For property developers consider the trading stock rules and whether it is worth revaluing trading stock on hand
- For property developers consider absorption costing and ensure all expenses have been appropriately recorded as trading stock as per the absorption costing rules
- Ensure your expenses have been recorded to ensure adequate reporting for the Annual Taxable Payments Reporting Summary.

Property

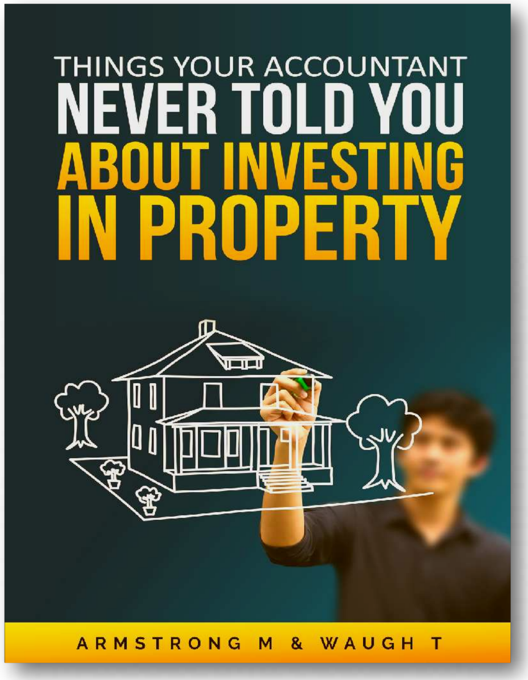
Main Residence

- What are your long term plans with your main residence ?
- Redraw vs Offset ? Have you discussed with us ?
- **Always** discuss your loan structures before doing anything
- Have you considered if the 6 year rule can help ?
- What about the 4 year construction rule ?
- The first used to produce income rule ?
- And to add into the mix what about 3rd element costs ?

Incentives to Increase the Supply of Housing

For eligible new **build-to-rent projects** the capital works tax deduction depreciation rate will increase from 2.5% to 4% per year. This measure will apply to projects where construction commences after 7.30pm on 9 May 2023

Trusts



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Trusts

Trustees of trusts should ensure that all necessary documentation is completed before 30 June.

Review the group position to determine who should receive trust distributions including any streaming of capital gains or franking credits.

Note the ATO's position on Section 100A Reimbursement Arrangement and ensure your distributions comply with the ATO Requirements.

Trusts may need to make a Family Trust Election (FTE) if the trust has unrecouped losses or where the total franking credits for the year exceed $5,000.

Make sure you review your trust deed before making any distributions to ensure that the proposed distributions are permitted by the deed and all requirements for making the distribution have been met.

Trusts

Loans to Trusts

Did you lend money to your trust? Consider whether it is worth putting an interest free loan agreement in place. What if you or your partner pass and it is argued the funds were gifted to the trust? What if the things don't work out and you want to claim a capital loss ?

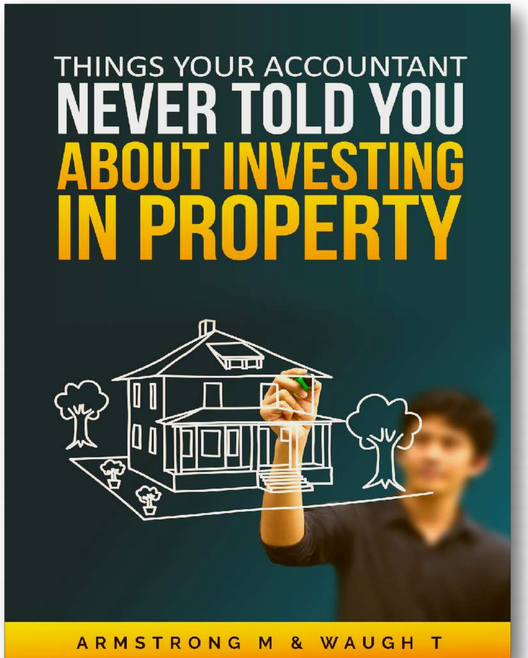
If you have lent money to your trust and the funds were sourced from loaned funds you will need an on-lending agreement (NOT interest free) to get a tax benefit of the interest paid

If the funds came from a related company consider Division 7a.

Children with Disabilities

Consider whether the children are able to receive a trust distribution and whether the minor is an excepted person for the relevant income year. If so, normal tax rates apply to their income rather than penalty rates.

Companies



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Companies

Review any loans to ensure they have a complying loan agreement and repayments have been made in accordance with Division 7a

Ensure any dividend resolutions have been appropriately prepared and comply with the Corporations Act requirements. **Remember things MUST be done prior to 30 June**. A journal entry merely represents what was agreed and done.

Have you considered paying a wage for a new company or a company with small profits ? Maybe the company even has a loss ? Why on earth would you pay a salary ? Remember tax free thresholds for the owners. Don't waste them.

Did you lend money to your company ? Consider whether it is worth putting an interest free loan agreement in place. What if you or your partner pass and it is argued the funds were gifted to the company ? What if the company doesn't work out and you want to claim a capital loss ?

If you have lent money to your company **and** the **funds were sourced from loaned funds** you will need an on-lending agreement (NOT interest free) to get a tax benefit of the interest paid

Assisting Your Strategy

Let us help you structure, grow, protect and minimise your taxes as you build your portfolio or development business.

Note that this is general advice and any advice regarding your financial situation MUST be discussed with a licensed financial planner. Any legal advice on these strategies should be discussed with an appropriately qualified legal adviser.

Anything regarding superannuation relates to the tax impact of these strategies and a financial adviser must be consulted to determine if this is appropriate. Advice is provided in accordance with Corporations Regulation 7.1.29(4)

- **Bachelor of Commerce**
- **Master of Commerce**
- **Master of Tax**
- **Diploma of Financial Planning**
- **Member Insitute of Public Accountants**
- **Chartered Tax Adviser**
- **Registered Tax Agent**

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