

TIPS TO MINIMISE YOUR BUSINESS PROFIT 2023 TAX PLANNING GUIDE

Imagine what you could do with tax saved? You could:

- Reduce your home loan.
- Top up your super.
- Save for a holiday (when we can travel again).
- Deposit for an Investment Property.
- Pay for your children's education.
- Upgrade your Car.

Here's a guide to the strategies you can use to minimise your business tax.

IS YOUR BUSINESS A "SMALL BUSINESS" ENTITY?

Small businesses can access a range of tax concessions from the ATO. To qualify as a "Small Business Entity", the business must have an aggregated turnover (your annual turnover plus the annual turnover of any business connected/affiliated with you) of less than \$10 million and be operating a business for all or part of the 2023 year.

TEMPORARY FULL EXPENSING FOR ASSET PURCHASES

Businesses with an aggregated turnover of less than \$5 billion can immediately deduct the business portion of the cost of eligible new depreciating assets.

For businesses with an aggregated turnover of less than \$50 million, temporary full expensing also applies to the business portion of eligible second-hand depreciating assets.

Temporary full expensing is ending on 30 June 2023. In the budget announcements (which are not yet legislated/law) they have extended temporary full expensing for small to medium businesses with a



limit of \$20,000 per equipment from 1st July 2023 to 30th June 2024.

You should buy these assets and use them or have them ready for use before 30 June 2023 to qualify for a 2023 tax deduction. Talk to us today about your options!

MAXIMISE DEDUCTIBLE SUPER CONTRIBUTIONS

The concessional superannuation cap for 2023 is \$27,500 for all individuals. Do not go over this limit or you will pay more tax!

Note that employer super guarantee contributions are included in these caps. Where a concessional contribution is made that exceeds these limits, the

excess is included in your assessable income and taxed at your marginal rate, plus an excess concessional contributions charge.

For the contribution to be counted towards the employee's 2023 contribution cap, it must be received by the super fund by 30th June.

TOOLS OF TRADE FBT EXEMPT ITEMS

The purchase of Tools of Trade and other FBT-exempt items for business owners and employees can be an effective way to buy equipment with a tax benefit.

Items that can be packaged include handheld/portable tools of the trade, computer software, notebook computers, personal electronic organisers, digital cameras, briefcases, protective clothing, and mobile phones.

If structured correctly, the employer will be entitled to a tax deduction for the reimbursement payment to the employee (for the equipment cost), claim any GST input credit, and the employee's salary package will only be reduced by the GST-exclusive cost of the items purchased.

You should buy these items before 30 June 2023.

REPAIRS & MAINTENANCE

Make payments for repairs and maintenance (business, rental property, employment) BEFORE 30 June 2023.

PAY EMPLOYEE SUPERANNUATION NOW

To claim a tax deduction in the 2023 financial year, you need to ensure that your employee superannuation payments are received by the super fund or the Small Business Superannuation Clearing House (SBSCH) by 30 June 2023. **Our suggestion is to make payment by the 15th June to ensure funds are cleared by 30th June.**

You should avoid making last-minute superannuation payments as processing delays may cause them to be received after year-end. If received after year end they will be deductions in that year.

DEFER INCOME

If possible, defer issuing further invoices and receiving cash/debtor payments until after 30 June 2023 for work not yet performed. This strategy pushes tax payable to future years.

BRING FORWARD EXPENSES

Purchase consumable items BEFORE 30 June 2023. These include marketing materials, consumables, stationery, printing, office and computer supplies. Spend the money now and get the deduction this year.

DEFER INVESTMENT INCOME & CAPITAL GAINS

If possible, arrange for the receipt of Investment Income (e.g. interest on Term Deposits) and the Contract Date for the sale of Capital Gains assets, to occur AFTER 30 June 2023.

The Contract Date is generally the key date for working out when a sale occurred, not the Settlement Date!

MOTOR VEHICLE LOGBOOK

Ensure that you have kept an accurate and complete Motor Vehicle Logbook for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2023. You should make a record of your odometer reading as of 30 June 2023 and keep all receipts/invoices for motor vehicle expenses.

An alternative (with no logbook needed) is to simply claim up to 5,000 business kilometres (based on a reasonable estimate) using the cents per km method.

INVESTMENT PROPERTY DEPRECIATION

If you own a rental property and haven't already done so, arrange for the preparation of a Property Depreciation Report to allow you to claim the maximum amount of depreciation and building write-off deductions on your rental property.

YEAR-END STOCKTAKE / WORK IN PROGRESS

If applicable, you need to prepare a detailed Stock Take and/or Work in Progress listing as at 30 June 2023. Review your listing and write-off any obsolete or worthless stock items.

Talk to us about your different options for valuing Stock, and how they affect your tax payable.

WRITE-OFF BAD DEBTS

Review your Trade Debtors listing and write-off all bad debts BEFORE 30 June 2023. Prepare a management meeting document listing each bad debt, as evidence that these amounts were written off prior to year-end and enter these into your accounting system before 30 June 2023.

SMALL BUSINESS CONCESSIONS - PREPAYMENTS

"Small Business Concession" taxpayers can make prepayments (up to 12 months) on expenses (e.g. loan interest, rent, subscriptions) BEFORE 30 June 2023 and obtain a full tax deduction in the 2023 financial year.



IMPORTANT INFORMATION

This is general advice only and does not take into account your financial circumstances, needs and objectives. Before making any decision based on this document, you should assess your own circumstances or seek advice from your financial adviser and seek tax advice from your accountants at WELSH TAX. Information is current at the date of issue and may change.

Talk to us TODAY before the 30 June 2023 deadline for assistance to reduce your tax!

WELSH TAX

 <https://welshtax.com.au/>

 07 5494 9173

This article is provided as general information only and does not consider your specific situation, objectives or needs. It does not represent accounting advice upon which any person may act. Implementation and suitability require a detailed analysis of your specific circumstances. Last updated: 30 May 2023