



Business – Taxation Planning for Year End 2020

| | IF YOU..... | YOU MAY WANT TO | SO YOU CAN |
|---------------------------------------|---|---|--|
| Count stock | Holds stock | Ensure you do a stocktake on 30 June and keep a record of the market, cost and replacement values | Use the value which gives you the best tax outcome possibly saving you tax, or deferring paying tax |
| Write off obsolete stock | Holds stock | Write down or dump obsolete or damaged stock prior to 30 June | Claim a tax deduction. |
| Pay staff super | Employ staff | Pay their April – June super before 30 June 2020. The funds must reach their super accounts before 30 June 2020 | Bring forward your tax deduction to 2020 |
| Single Touch Payroll (STP) | Employ staff | Perform the End of year finalisation of your payroll in your STP software. Advise employees their income details are on myGov | Ensure you are not penalised for late lodgement Advise employees that they can complete their tax returns |
| Taxable Payments Annual Report | Operate in one of the following industries: <ul style="list-style-type: none">• Building & construction• Cleaning services• Courier services• Road freight services• IT services• Security, investigation or surveillance services | Ensure that you have completed and lodged your report prior to 28 August 2020 | Ensure you are not penalised for late lodgement |



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| | AND make payments to contractors | | |
| Instant asset write-off | Operate a "small business" (turnover less than \$500M) | Claim a deduction for the business portion of each asset (new or second hand) purchased and first used or installed ready for use, up to the following thresholds: Turnover less than \$50M • \$30,000, from 7.30pm (AEDT) on 2 April 2019 until 12 March 2020 Turnover less than \$500M • \$150,000 and first used or installed ready for use from 12 March until 30 June 2020 | Continue to expand and improve your business with new or second hand assets |
| Prepare some estimates | Have business or investment income varied from last year. Have your children or other beneficiaries turned 18 or had a significant change in income since last year | Contact our office before 30 June 2020 so that interim estimates can be prepared for the 2020 financial year before it ends | Take any actions necessary to increase or decrease your income where possible to minimise tax payable. Ensure you know what your tax position is so that the correct amount of tax is set aside Vary your June 2020 PAYG instalment to help cashflow if profit is down |
| Prepay expenses | Operate a "Small Business" (turnover less than \$10M) | Prepay expenses for up to 12 months | Bring forward your tax deduction to 2020 |



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| Trustee's distribute income | Operate your business or own investments in a trust | Keep an eye out for your end of year distribution resolution | Ensure profits are distributed in the most tax effective manner. Meet the ATO's requirements that this resolution be made prior to 30 June 2020 |
| Update your assets | Have depreciating assets not in an asset pool | Check the list of assets provided with last year's financial statements and advise of any items that have been destroyed or sold | Claim a tax deduction for the balance of the asset value this year |
| Scrap Assets | Have old plant | Write off the plant | Claim a tax deduction for wdv |
| Low value pool | Have depreciating assets in an asset pool | Pool assets with low value and lump together to get a higher depreciation rate | Claim a higher tax deduction |
| Write off bad debts | Have debtors who have not paid their accounts, have been chased and are not likely to pay | Write off the debt in your books prior to 30 June 2020 | Claim a tax deduction for the bad debt this year |
| Slow Moving Stock | Have slow moving stock | Can be written down to net realisable value | Claim an accelerated tax deduction this year |
| Stock Valuation | Have stock that has changed value | Can be written down from cost to a lower replacement value | Claim an accelerated tax deduction, relevant when imports making Aus made products more expensive. |
| Maintenance | Have assets that need fixing | Get done in June not July | Being time value of money |



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| Self Education deductions | You have a Youth Allowance | You are allowed a deduction for certain self-education expenses | Tax deduction allowable |

Capital Gains Tax - planning

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|---|--|--|---|
| Small Business Concessions | You have sold a business | Consider other small business CGT concessions available | Reduces a capital gain arising from the disposal of a business asset |
| CGT discount | You have held an asset for more than 12 months | A CGT discount is available when you sell an asset of 50% discount | Reduces your taxable capital gain to half |
| CGT Rollover into superannuation | You access the active asset concessions | The gain can be rolled over into superannuation depending on your age will determine whether a cash transfer must occur too. | No CGT is payable if you are in pension phase or only 15% if in accumulation phase. |
| CGT Rollover into another asset | You access the active asset concessions | The gain can be rolled over into another asset. | Defers the tax on the gain which is payable when you sell the replacement asset. |



Companies Taxation – Planning for Year Ended 2020

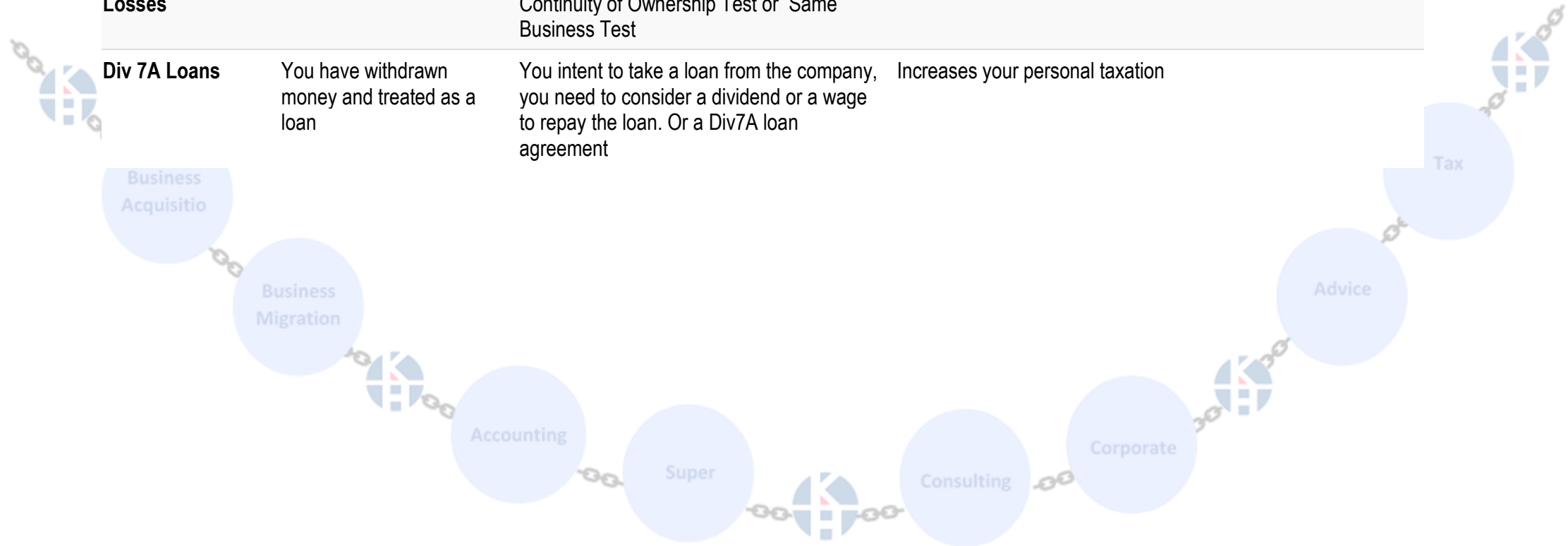
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| Tax Losses | You have carried forward tax losses | Consider using tax losses brought forward from prior years. Must pass test of Continuity of Ownership Test or Same Business Test | Reduces assessable income |
| Div 7A Loans | You have withdrawn money and treated as a loan | You intent to take a loan from the company, you need to consider a dividend or a wage to repay the loan. Or a Div7A loan agreement | Increases your personal taxation |
| Tax Consolidation | You have a few companies | They make up a group; you consider consolidating them for tax purposes before the end of the financial year. | This results in a single tax entity which allows you to offset profits and losses from the different entities. |
| Personal Service Income | You earn your income through personal excursions | You will need to pass the PSB rules for business income to be taxed at corporate rates of 27.5%. | Otherwise net income will be taxed at individual marginal tax rates. |
| Base Rate Entity | You have a company that earns passive income | The tax rate will be 30%. Consideration should be given to service entity arrangements | Otherwise net income will not be taxed at 27.5% rates. |



Trusts – Taxation Planning for Year Ended 2020

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|-----------------------------------|-------------------------------------|--|---------------------------|
| Income Distribution Losses | You have carried forward tax losses | Consider using tax losses brought forward from prior years. Must pass test of Continuity of Ownership Test or Same Business Test | Reduces assessable income |
|-----------------------------------|-------------------------------------|--|---------------------------|

| | | | |
|---------------------|--|--|----------------------------------|
| Div 7A Loans | You have withdrawn money and treated as a loan | You intent to take a loan from the company, you need to consider a dividend or a wage to repay the loan. Or a Div7A loan agreement | Increases your personal taxation |
|---------------------|--|--|----------------------------------|





Individual – Taxation Planning for Year ended 2020

| | IF YOU..... | YOU MAY WANT TO | SO YOU CAN |
|---|--|--|---|
| Gain from a capital loss | Realised a capital gain from an investment | Trigger a capital loss by selling a poorly performing investment that no longer suits your circumstances | Use the capital loss to offset your capital gain and save tax Free up money for more suitable investment opportunities |
| Defer asset sales | Are thinking of selling a profitable asset this financial year | Defer the sale contract until after 30 June | Defer paying Capital Gains Tax Possibly reduce your capital gains tax liability |
| Prepay investment loans | Have a geared asset such as a rental property or an investment portfolio | Prepay 12 months interest on your investment loan | Bring forward your tax deduction |
| Private health insurance rebate | Expect to earn over \$90,000 (individuals) or \$180,000 (families) | Check what rebate you are receiving from your private health fund | Make sure you don't get a surprise bill when your tax is prepared |
| Pay for insurance and avoid paying a surcharge | Expect to earn over \$90,000 (individuals) or \$180,000 (families) | Take out an eligible private hospital insurance policy | Save paying the Medicare Levy Surcharge of between 1% to 1.5% of your income in the future financial years |
| Start a new log book | Use a vehicle for work purposes | Commence maintaining a log book before 30 June | Maximise the amount you can claim for the business use of your vehicle |
| Read your odometer | Use a vehicle for work purposes and claim using the log book method | Ensure you take the odometer reading on 30 June | Continue to use the log book method to claim the business use of your vehicle |



| | IF YOU..... | YOU MAY WANT TO | SO YOU CAN |
|-------------------------------------|--|--|--|
| Gain from a capital loss | Realised a capital gain from an investment | Trigger a capital loss by selling a poorly performing investment that no longer suits your circumstances | Use the capital loss to offset your capital gain and save tax Free up money for more suitable investment opportunities |
| Obtain a Depreciation Report | Own a rental property | Contact a quantity surveyor and obtain a depreciation report if you don't already have one | Claim for the decline in value of the assets in the rental property, and the building itself NB: Depending on the age of the property and when it was purchased. Legislation around depreciation recently changed, so please speak with your accountant about your personal situation |
| Donate | Are considering make a donation | Make the donation before 30 June | Bring forward the deduction to 2020 |

This information is of a general nature only and neither represents nor is intended to be specific advice on any particular matter. KHCA strongly suggests that no person should act specifically on the basis of the information contained herein but should seek appropriate professional advice based on their own personal circumstances.

Need help?

If you need assistance with any aspect of your end of year planning, contact the KHCA team.

