TAX MATTERS

TAX STRATEGIES FOR YOU AND YOUR BUSINESS

SUMMER 2024

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And More...

A Client-To-Agent Nomination Process Reminder

Confused about the new nomination process for client-to-agent linking? Don't worry - here's what you need to know.

On November 13, 2023, the ATO revised the process for tax agent access to enhance security against fraud and identity theft.

For ABN holders, the new agent nomination process is now mandatory, ensuring only authorised tax agents, BAS agents, or payroll services can access and act on your tax and super-related matters. This process applies when changing agents or adjusting authorisations for existing agents.

Your registered agent can connect with you and access your information only after completing this nomination process. This ensures that only the nominated agent can have access and perform tasks on your behalf, such as tax return lodgment.

This requirement applies to all entities with an ABN, excluding sole traders. Entity types covered include companies, partnerships, trusts, not-for-profits, joint ventures, cooperatives, self-managed super funds (SMSFs), and APRA-regulated superannuation funds.

The agent nomination process was already implemented for certain groups, including public and multinational businesses (Top 100 and Top 1,000), most public and multinational businesses, Top 500 privately-owned wealthy groups, and government entities, on specific dates in 2022 and 2023.

Individual taxpayers and sole traders are currently exempt from this requirement.

To grant access to your registered agent, nominate them via ATO's Online services for business. While your registered agent can't complete the process on your behalf, they can guide you through the necessary steps if needed. For support, contact the ATO or your registered agent directly.

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5 Common Mistakes Businesses Might Make Before Tax Time

While there is still time before the financial year draws to a close, businesses are still encouraged to assess their current financial situation and strategies to prevent critical tax mistakes.

Often, these mistakes could lead to not only fiscal losses but potential penalties as well. Here are some of the most common mistakes businesses make when it comes to tax, and how to avoid them.

01 Mismanagement of Deductible Expenses

Businesses often miss out on valuable deductions such as office supplies and travel expenses. To avoid this pitfall, it's crucial to implement robust expense tracking systems, stay informed about the latest tax regulations, and seek professional advice to maximise eligible deductions.

02 Incomplete Record-keeping

Inadequate record-keeping can pose challenges during tax season. It's essential to maintain thorough and organised records, embracing efficient digital accounting tools and systematic record-keeping protocols. This not only ensures accurate reporting but also positions your business well in case of an audit.

03 Failure to Stay Informed on Changing Tax Laws

Tax laws are dynamic and subject to frequent changes. Staying informed is not just good practice; it's a necessity. Regular consultations with tax professionals can help you stay ahead of the curve, ensuring your business is well-informed and able to make strategic decisions in response to evolving tax laws.

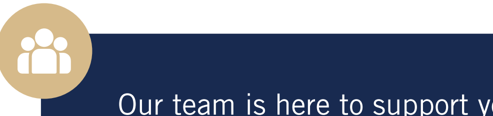
04 Inadequate Tax Planning

Effective tax planning is an ongoing process, not a one-time event. Assess the most tax-efficient business structure, optimise income distribution, and explore tax credits and incentives in collaboration with your accountant to ensure your business is strategically positioned for financial success.

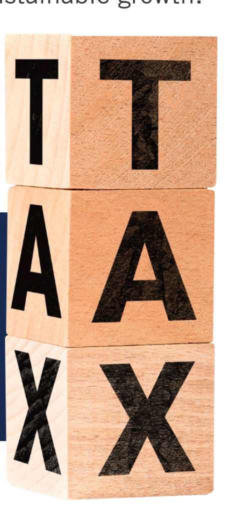
05 Non-compliance with GST Obligations:

Compliance with Goods and Services Tax (GST) obligations is critical. Implementing robust GST tracking systems, conducting regular reconciliations, and seeking professional advice will help your business navigate the complexities of GST compliance effectively, avoiding penalties and legal repercussions.

By addressing these common tax mistakes head-on, your business can enhance financial health, mitigate risks, and lay the groundwork for sustainable growth.



Our team is here to support you on your business journey. If you have any questions or concerns regarding your business's tax strategy, please don't hesitate to reach out.



Are You Providing Fringe Benefits?

Are your employees entitled to perks like a car space, gym membership, or even a company car as part of their employment contracts?

These offerings fall under the category of fringe benefits—alternative forms of payment to employees, distinct from salary or wages. Fringe benefits attract a specific kind of tax, separate from income tax, known as fringe benefits tax (FBT). This tax applies even if the benefit is provided by a third party under an arrangement with the employer.

Understanding what qualifies as a fringe benefit is crucial for employers in determining the perks they can offer their staff. Here are some examples of items classified as fringe benefits:

- Allowing an employee to use a work car for private purposes
- Providing a discounted loan to an employee
- Covering an employee's gym membership
- Offering entertainment through free tickets to concerts
- Reimbursing expenses like school fees incurred by an employee
- Providing benefits under a salary sacrifice arrangement

Conversely, certain items are not considered fringe benefits:

- Salary and wages
- Shares purchased under approved employee share acquisition schemes
- Employer contributions to complying super funds
- Employment termination payments
- Payments deemed as dividends under Division 7A
- Benefits provided to volunteers and contractors
- Exempt benefits such as those provided by religious institutions to their religious practitioners

Employees are not responsible for paying tax on these exempt items; however, employers must self-assess their FBT liability for the FBT year, which concludes on March 31, and lodge an FBT return.

Employers can typically claim an income tax deduction for the cost of providing fringe benefits and for the FBT they pay.

Strategies to reduce FBT liability may include:

- Providing benefits that are income tax deductible
- Allowing employee contributions to reduce the taxable value of fringe benefits
- Offering a cash bonus instead of a benefit, eliminating the need for FBT
- Providing benefits that are exempt from FBT

Additionally, employers do not pay FBT for providing car parking to employees with disabilities, small businesses, or exempt employers. FBT is not applicable when an employee uses a provided vehicle that meets ATO criteria and their private use is limited (such as eligible electric cars).

Certain work-related items, like portable electronic devices and specific tools, are also exempt from FBT when predominantly used for work purposes.

Navigating FBT can be complex, and it is advisable to consult with a tax agent for assistance in amending or lodging an FBT return. If you have questions about your FBT liability or need guidance on what to include in your return, initiate a conversation with us today.

Stage 3 Tax Cuts - The Latest Rundown & What To Expect

Tax cuts have been a recurring topic in political discussions, often shaping fiscal policies and influencing government revenue.

The Stage 3 Tax Cuts introduced by the Morrison government in 2019 have been a point of contention and scrutiny, with promises and commitments surrounding their implementation. In this article, we aim to provide an impartial overview of the Stage 3 Tax Cuts, highlighting key aspects and the proposed changes by the Albanese Labor Government.

What Were The Stage 3 Tax Cuts?

The Morrison government's Stage 3 Tax Cuts, passed in 2019, removed the 37% tax bracket for incomes between $120,000 and $180,000. It also increased the top tax bracket from $180,000 to $200,000 and lowered the 32.5% marginal tax rate to 30%. These changes were aimed at providing tax relief to various income groups, particularly benefiting middle and high-middle-income households with average annual incomes of $97,000 and $136,000, respectively.

Initial Commitments and Promises

During the last election, Labor committed to keeping the Morrison government's Stage 3 Tax Cuts, ensuring continuity in the tax landscape. The tax cuts were designed to offer relief to individuals across different income brackets, with promises to reduce the 19% tax rate, decrease the 32.5% tax rate, and raise the thresholds for higher tax brackets.

The Albanese Labor Government's Changes

From July 1, 2024, the Albanese Labor Government has outlined several adjustments to the tax system. These proposed changes include:

16% ↓ 3%

Reducing the 19% tax rate to 16% (for incomes between $18,200 and $45,000).

30% ↓ 2.5%

Reducing the 32.5% tax rate to 30% (for incomes between $45,000 and the new $135,000 threshold).

$135,000 ↑ $15,0000

Increasing the threshold at which the 37% tax rate applies from $120,000 to $135,000.

$190,000 ↑ $10,0000

Increasing the threshold at which the 45% tax rate applies from $180,000 to $190,000.

As a result of these changes, all 13.6 million taxpayers are expected to receive a tax cut. The proposed tax cuts aim to provide relief to a broad spectrum of taxpayers, from those with average incomes to higher-income individuals.

New Personal Tax Rates & Thresholds For 2024-25

Current Tax Rates

0 - 18,200	Tax-Free
18,201 - 45,000	19%
45,001 - 120,000	32.5%
120,001 - 180,000	37%
Greater than 180,001	45%

New Tax Rates From 2024-2025

0 - 18,200	Tax-Free
18,201 - 45,000	16%
45,001 - 135,000	30%
135,001 - 190,000	37%
Greater than 190,001	45%

Comparative Tax Cut Figures

Under the current plan, the tax cuts are projected to be as follows:

A person on an average income of around $73,000 will receive a tax cut of $1,504.

A person earning $40,000 will get a tax cut of $654.

A person earning $100,000 will receive a tax cut of $2,179.

A person earning $200,000 will still get a tax cut, which will be $4,529.

The Stage 3 Tax Cuts have been a focal point of tax policy discussions, with implications for individuals across various income brackets.

The Morrison government's initial implementation and Labor's commitment to maintaining and adjusting these cuts demonstrate the complexities involved in shaping tax policies. As changes are proposed and debated, it is crucial for taxpayers to stay informed about how these policies may impact their financial situations.

Why You Should Lodge An FBT Return Every Year

FBT returns are required to be submitted annually for the FBT year (1 April to 31 March) by 21 May. While it may seem peculiar to file a return when the FBT liability for the year is zero, this practice is routine for most businesses.

Calculating Your FBT Liability

As an employer, you must self-assess the amount of fringe benefits tax (FBT) you have to pay.

To work out how much FBT you have to pay, you 'gross-up' the taxable value of the benefits you've provided. This reflects the gross salary your employees would have to earn, at the highest marginal tax rate (including Medicare levy), to buy the benefits themselves.

The FBT you owe is the grossed-up amount multiplied by the FBT rate.

Mistakes That Could Lead To An FBT Audit

Employers are obligated to maintain comprehensive records, including logbooks, signed statements, and other documentation supporting FBT liabilities. Even when an employee has left the organisation, these records must be retained, preventing businesses from recovering costs associated with prior employees. Timely FBT lodgement is not only a legal requirement but also a strategic move to safeguard against potential disputes and liabilities.

Despite internal reviews, mistakes can occur, particularly concerning liabilities related to car fringe benefits. The private use calculation, determined by the operating cost (logbook) method, often leads to errors. Depreciation claimed on financial statements may differ from FBT purposes, resulting in an unintentional FBT liability.

Lodging an FBT return not only rectifies these errors but also streamlines the auditing process, focusing on the most recent three years.

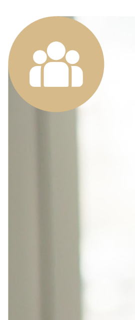
If you have employees who are the recipients of meal entertainment benefits, maintaining a register of these individuals is a crucial aspect of FBT compliance.

Neglecting this record-keeping responsibility may lead to an unexpected FBT liability. Lodging FBT returns aids in showcasing adherence to regulations, reducing the likelihood of oversights and ensuring a systematic approach to compliance.

0 Why Should You Still Lodge An FBT Return If The Liability Is Zero?

Submitting a return with zero FBT liability serves as an acknowledgment to the Australian Tax Office (ATO) that thorough consideration has been given to potential fringe benefits, ensuring compliance with tax regulations.

Failing to lodge an FBT return can draw the attention of the ATO, potentially triggering reviews and audits of past returns. On the contrary, filing a return acts as a safeguard, as the ATO can only audit up to three years prior to the last lodgement of an FBT return. This limitation serves as a protective measure, providing businesses with a buffer against extensive investigations into historical activities.



If you're unsure about your FBT liability or your FBT return or just need guidance, why not consult with a trusted tax adviser (like us)?

R&D Claims, Watch Out – The ATO Eyes Incorrect Deductions

The Research and Development (R&D) tax incentive program serves as a catalyst for innovation, encouraging companies to engage in R&D activities by providing targeted tax offsets. However, recent concerns have prompted the Australian Taxation Office (ATO) to issue two taxpayer alerts, highlighting potential misuse of the incentive.

Who Can Apply For The R&D Tax Offsets?

To take advantage of the R&D tax offsets, you need to be an R&D entity. An R&D entity is either a corporation that is incorporated under an Australian law or, in some circumstances, a foreign corporation.

Taxpayer Alerts

The ATO's recent alerts (TA 2023/4 and TA 2023/5) focus on specific issues related to R&D tax incentive arrangements.

TA 2023/4 identifies arrangements where an entity incorrectly claims the R&D tax offset for expenditure incurred under an agreement with an associated entity that conducts those activities.

TA 2023/5 discusses potential misuse involving R&D activities conducted overseas for foreign-related entities. The alert outlines the ATO's concerns about arrangements where Australian entities claim the R&D tax offset for expenditure incurred on R&D activities conducted overseas. Arrangements of concern include where an R&D entity has purported that R&D activities were conducted for its own benefit, but those activities were instead conducted for a foreign entity that is 'connected with', or is an 'affiliate', of the R&D entity.

Concerns and Misuse

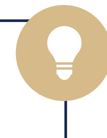
The ATO expresses concerns that certain arrangements may lead to the improper claiming of R&D tax offsets. Misuse includes claiming the offset when not eligible or artificially inflating the claimed amount. Penalties may apply to participants in such arrangements, with the ATO encouraging voluntary disclosures to reduce penalties.

Red Flags and Vigilance

Claimants are advised to stay vigilant and seek independent advice on their R&D claims. Red flags include approaches by new tax agents or consultants promising inflated claims or suggesting ordinary business expenses qualify as R&D. Discussing any R&D claim with a tax agent and reporting suspicious behaviours to AusIndustry or the ATO is crucial for safeguarding against potential misuse.

Record-Keeping and Compliance

Maintaining accurate records is essential to substantiate and demonstrate the eligibility of R&D activities and associated expenditures. The ATO, in collaboration with AusIndustry, offers stringent guidelines on record-keeping requirements to support R&D claims. By keeping meticulous records, businesses can not only comply with regulations but also streamline the process and minimise costs associated with compliance and risk reviews.



> The R&D tax incentive remains a valuable resource for fostering innovation and advancement.

To safeguard the integrity of the program, entities must remain vigilant against potential misuse, stay informed about ATO alerts, and prioritise accurate record-keeping. By doing so, businesses can navigate the complexities of the R&D tax incentive, ensuring compliance while maximising x the benefits for both innovation and financial gains.

A Brief Guide To Depreciating Assets

Accountants play a crucial role in assisting business owners with navigating complex processes. One such critical aspect demanding careful attention pertains to claiming deductions for depreciating assets.

Let's delve into the strategic timing for claiming deductions, the various types of depreciating assets, and the significance of maintaining precise records to optimise tax benefits.

Strategic Timing for Deduction Claims

Timing is everything when it comes to claiming deductions for depreciating assets. If a depreciating asset contributes to your assessable income, you can generally claim deductions for its decline in value over time. The choice between the general depreciation rules and simplified depreciation rules depends on the size and structure of your business.

General Depreciation Rules:

- Most businesses can apply the general depreciation rules to calculate deductions for their assets.
- This method offers flexibility and is suitable for businesses of various sizes.

Simplified Depreciation Rules:

- Small business entities can leverage the simplified depreciation rules, streamlining the calculation process.
- This approach is particularly beneficial for smaller businesses seeking a more straightforward method for depreciating assets.

Low-Cost and Low-Value Assets:

- For assets falling under the low-cost and low-value category, businesses not using simplified rules can allocate them to a low-value pool and depreciate them at a set annual rate.

Accurate Record-keeping

Regardless of the depreciation method chosen, maintaining accurate and complete records is paramount. Efficient record-keeping ensures that all relevant expenses are accounted for, enhancing the accuracy of deductions. Emphasising the importance of meticulous documentation helps avoid discrepancies during audits and maximises the benefits of depreciating assets.

Understanding Depreciating Assets

A depreciating asset, as defined by the Australian Taxation Office (ATO), has a limited life expectancy and can be reasonably expected to decline in value over time. Common examples include machinery, motor vehicles, furniture, computers, and mobile devices. These assets may either be personally owned and brought into the business or purchased directly to generate assessable income.

Assets that Do Not Depreciate

While many assets depreciate over time, certain categories do not. These include land, trading stock items, and most intangible assets such as trademarks. However, it's important to note that specific improvements to land and fixtures, such as fences, are considered depreciating assets.

Special Consideration for Claiming Depreciation

Sole traders and eligible partnerships using the cents per kilometre method for car expenses need to be aware that depreciation is already included in the claimed amount. It's essential not to double-count the depreciation when calculating deductions separately.

Navigating the realm of depreciating assets requires a strategic approach to optimise tax benefits while ensuring compliance with regulations. Professional guidance from advisers aims to assist businesses in understanding the types of assets, choosing the appropriate depreciation method, and maintaining accurate records to maximise deductions and enhance overall financial positions.

Want to know more about the temporary tax incentives for depreciating assets that may be available to you? Have a question about whether certain expenses are considered to be depreciating? Start a conversation with a trusted adviser today.

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