

BUSINESS TAX PLANNING GUIDE 2022



Imagine what you could do with tax saved?

- Reduce your home loan
- Top up your super
- Have a holiday
- 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 2022 year.

REDUCTION IN COMPANY TAX RATES

The company tax rate for businesses with less than \$50 million turnover is 25%, if 80% or less of a company's assessable income is "passive income" (such as interest dividends, rent, royalties and net capital gains).

PREPAYMENTS

"Small Business Concession" taxpayers can make prepayments (up to 12 months) on expenses (e.g. loan interest, rent, subscriptions) BEFORE 30 June 2022 and obtain a full tax deduction in the 2022 financial year.

INSTANT DEDUCTION FOR ASSETS PURCHASES

From 7.30pm AEDT on 6 October 2020 until 30 June 2023, temporary full expensing allows a deduction for:

- the business portion of the cost of new eligible depreciating assets for businesses with an aggregated turnover under \$5 billion or for corporate tax entities that satisfy the alternative test.
- the business portion of the cost of eligible second-hand assets for businesses with an aggregated turnover under \$50 million.
- the balance of a small business pool at the end of each income year in this period for businesses with an aggregated turnover under \$10 million.
- Important! If you are planning on purchasing a non-commercial vehicle, your deduction will be limited to \$60,733 for the 2021-22 income year.



BUCKET COMPANY TRUST STRATEGY

If you use a Trust structure, one strategy is to allocate profits to a "Bucket Company" and cap your tax at 30%. Please discuss with us whether your company will qualify.

MAXIMISE DEDUCTIBLE SUPER CONTRIBUTIONS

The concessional superannuation cap for 2022 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 2022 contribution cap, it must be received by the fund by 30 June 2022.

CARRIED FORWARD CONTRIBUTIONS

Carry-forward contributions are not a new type of contribution, they are simply new rules that allow super fund members to use any of their unused concessional contributions limit (or cap) on a rolling basis for five years.

This means if you don't use the full amount of your concessional contribution cap (\$27,500 in 2022), you can carry-forward the unused amount and take advantage of it up to five years later.

Carry-forward contributions are calculated on a rolling basis over five years, but any amount not used after five years expires. These carry-forward rules only relate to concessional contributions into super, not non-concessional contributions, as they have different caps.

PAY EMPLOYEE SUPERANNUATION NOW

To claim a tax deduction in the 2022 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 2022.

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 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 2022.

DEFER INCOME

If possible, defer issuing further invoices and receiving cash/debtor payments until after 30 June 2022. This strategy pushes tax payable to future years.

BRING FORWARD EXPENSES

Purchase consumable items BEFORE 30 June 2022. These include marketing materials, consumables, stationery, printing, office, and computer supplies. Spend the money now and get the deduction this year.



REPAIRS & MAINTENANCE

Make payments for repairs and maintenance (business, rental property, employment) BEFORE 30 June 2022.

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 2022.

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

MOTOR VEHICLE LOG BOOK

Ensure that you have kept an accurate and complete Motor Vehicle Log Book for at least a 12-week period. The start date for the 12-week period must be on or before 30 June 2022. You should make a record of your odometer reading as at 30 June 2022 and keep all receipts/invoices for motor vehicle expenses.

An alternative (with no log book 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.

WRITE-OFF BAD DEBTS

Review your Trade Debtors listing and write off all Bad Debts BEFORE 30 June 2022. Prepare a management meeting document listing each Bad Debt as evidence that these amounts were actually written off prior to year-end and enter these into your accounting system before 30 June 2022.

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 2022. 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.

PRIVATE COMPANY ("DIV 7A") LOANS

Business owners who have borrowed funds from their company in previous years must ensure that the appropriate principal and interest repayments are made by 30 June 2022. Current year loans must be either paid back in full or have a loan agreement entered in before the due date of lodgement for the company return or risk having it counted as an unfranked dividend in the return of the individual.

TRUSTEE RESOLUTIONS

Ensure that the Trustee Resolutions are prepared and signed BEFORE 30 June 2022 for all Discretionary ("Family") Trusts. Please see us for more information about these resolutions.

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 either assess your own circumstances, seek advice from your financial adviser, or seek tax advice from your accountants at Mukiwa Accounting Services.

Information is current at the date of issue and may be subject to change.



[Contact us](#) TODAY for assistance to reduce your tax!