

Reference Materials

WDF Accounting + Advisory For the year ended 30 June 2023

Retention of documentation requirements

The Australian Tax Office (ATO) requires all documentation which relates to tax returns to be kept for at least five years from the date of lodgement of your tax return, with the exception of company records which should be retained for seven years as required by ASIC. This enables your tax return to be verified in the event of an ATO audit. Please ensure you safely store your copies of these documents.

<https://www.ato.gov.au/Individuals/Income-deductions-offsets-and-records/Records-you-need-to-keep/>

Disaster Assistance

If your business has been affected by the widespread natural disasters you may be eligible for funding to assist your business including special disaster grants, rural landholder grants and low interest loan options. If you would like further information on the available measures, please contact your WDF team member or visit the RAA website for further information <https://www.raa.nsw.gov.au/>.

Private Health Insurance Rebate

The private health insurance rebate is income tested. Your rebate entitlement is determined based on your income threshold tier. The ATO link below provides tables detailing the threshold tiers and rebate entitlements. For the 2023 financial year there is no rebate entitlement when your income reaches \$140,001 or more for singles and \$280,001 or more for families.

<https://www.ato.gov.au/Individuals/Medicare-and-private-health-insurance/Private-health-insurance-rebate/Income-thresholds-and-rates-for-the-private-health-insurance-rebate/>

Medicare Levy Surcharge

The Medicare Levy Surcharge is levied on taxpayers who do not have an appropriate level of private hospital insurance and who earn above a certain income. The Surcharge is payable in addition to the normal Medicare Levy tax.

For the 2023 financial year the Medicare Levy Surcharge is imposed on people who do not have private hospital cover and earn more than \$180,000 for couples/families (the family threshold increases by \$1,500 for each dependent child after the first) and \$90,000 for singles with no dependants. The rate of the surcharge begins at 1% and increases with income levels to a maximum of 1.5%

Streamlined Systems

Streamlined Systems is a service that WDF offers clients to review administration and bookkeeping functions with the outcome of improving and revolutionising software systems and procedures. This service commences with a free consultation to analyse current processes.

The Streamlined Systems platform will enable you to gain time efficiencies in your bookkeeping functions by taking advantages of bankfeeds, automatic coding and matching of transactions, streamlining functions such as superannuation just to name a few. More importantly, the platform gives you the ability to unlock the power of the information that is at your fingertips to enable you to make proactive and timely management decisions.

If this is something that you are interested in finding out more about or you would like to book in for a free consultation please contact your team member. We believe that Streamlined Systems can save you time and give your business a technology edge.

Cloud Accounting

With the rapid pace of change in technology a business has numerous options available for accounting packages and add-on software which can greatly help to streamline the bookkeeping and administration functions and also assist in managing and improving financial performance. We recommend that all our clients consider moving to a cloud accounting platform to capitalise on these opportunities.

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If you would like to know more, please contact your WDF team.

ATO data matching processes

The ATO collect data from a range of sources to ensure the completeness and accuracy of information reported through the tax return.

The ATO are currently undertaking specific data-matching activities in the following areas:

- Credit & Debit cards
- Specialised payment systems
- Online selling
- Ride-sourcing
- Motor Vehicle registries
- Cryptocurrency

<https://www.ato.gov.au/About-ATO/Commitments-and-reporting/In-detail/Privacy-and-information-gathering/How-we-use-data-matching/?page=5>

Digital Asset Investment and Trading

Through Australian financial institution requirements and data sharing arrangements with other countries, the ATO has access to records relating to the transfer of digital assets such as cryptocurrency and non-fungible tokens (NFTs) via digital trading platforms and exchanges.

If you hold digital assets it is likely the ATO knows about it and you have a reporting requirement. Examples of transactions that are required to be reported include:

- Coin for Fiat (money) trades
- Coin for Coin swaps
- Transfers between Exchanges/Wallets
- Airdrops
- Staking
- Mining
- DeFi Income

If you hold digital assets, please ensure your WDF contact is aware so reportable transactions can be accounted for in your tax return.

<https://www.ato.gov.au/General/Other-languages/In-detail/Information-in-other-languages/Crypto-asset-investments-and-tax/>

Accelerated Depreciation and what this means for your future taxable income

As you are a small business entity we have been able to utilise the ATO's accelerated depreciation measures. For the 2024 financial year only this allows the immediate write off for assets installed ready for use of up to \$20,000.

The immediate deduction for a car cannot exceed the cost limit as determined by the ATO (\$68,108 for 2024). If your vehicle is not considered a passenger vehicle, the car limit does not apply.

Farm Assistance Measures

There are several measures available to assist primary producers including low interest loan options administered through Regional Investment Corporation (RIC), Farm Innovation Fund and Emergency Water Infrastructure Rebate Scheme (subject to funding) administered through Rural Assistance Authority (RAA). If you would like further information on the available measures, please contact your WDF team member to discuss your eligibility.

Accelerated depreciation for primary producers

Primary producers can claim:

- 100% write off for fencing (previously 30 years)
- 100% write off for water facilities (previously 3 years)
- 100% write off for fodder storage assets, first used or installed ready to use on or after 19th August 2018 (previously 3 years)
- primary producers are also eligible to claim the accelerated depreciation measures

Farm Management Deposits (FMD's) for primary producers

Changes to FMD's from 1 July 2016 include:

- doubling of the cap on deposits from \$400 000 to \$800 000
- re-establishment of an early access trigger during times of drought
- allowing FMDs to be used to offset the interest costs on primary production business debt.

Fuel tax credits: do you have the right rate?

Rates are indexed twice a year in line with the consumer price index – in February and August.

Check your rate online:

<https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/Rates---business/>

Trading Stock

As your business trades stock, you need to provide us with the value of your trading stock at the end of the financial year.

Depending on your circumstances you have the following methods to value your trading stock:

1. Under the simplified trading stock rules: You must be a small business with turnover of less than \$10m and estimate that the value of your trading stock has not changed more than \$5,000. Under this method no formal stocktake is required and you do not have to account for the changes in your trading stock value. A reasonable estimate of your stock value is accepted by the ATO as long as you can support your conclusion.
2. Under the general trading stock rules: If your trading stock changes by more than \$5,000 in a year, you must do an end of year stocktake and record the value of all trading stock you have on hand.

You need to keep records showing the following information:

- a list describing each article of stock on hand and its value
- who did the stocktake
- how and when it was done
- who valued the stock and the basis of the valuation

Under either method the value of your stock can be at:

- Cost price method – which is the cost price plus freight, insurance, duties and delivery charges.
- Market selling value method – current value of stock if it is sold in the ordinary course of business
- Replacement value method – uses the cost to obtain an almost identical items that is available in the market on the last day of the income year

These records need to be kept for five years from the lodgement date of your tax return. When providing your stocktake figures to us at the end of the financial year, please ensure that adequate records are kept.

Ensuring you meet your Superannuation Guarantee Obligations

From 1 July 2023, superannuation guarantee is payable at 11% for eligible employees.

Employee's superannuation must be received by their superannuation funds (and not just paid to the clearing house) by the due date (28th day following the end of the quarter). To ensure that the payment deadlines are met, we recommend that all superannuation payments are paid to clearing houses by the 20th day following the end of the quarter.

When superannuation is not received by the due date, you are required to lodge a Superannuation Guarantee Charge (SGC) statement with the ATO. There are heavy penalties in not doing so. The Superannuation Guarantee Charge is not tax deductible and must be paid to the ATO, not to a superannuation fund. Please contact us should you require our assistance in preparing the SGC statement.

Super Contributions for Contractors

If you pay your contractors under a contract that is wholly or principally for labour, you have to pay compulsory superannuation contributions for them. This is even if the contractor quotes an Australian Business Number (ABN). Under the legislation these contractors are considered your employees for superannuation guarantee purposes. Generally, a contract is principally for labour if more than half of the value of the contract is for the person's labour.

We recommend that you review your superannuation guarantee calculations in relation to your contractors to ensure that you have met the minimum obligations.

If the mandatory contributions have been underpaid, then the Superannuation Guarantee Charge liability must be paid to the Tax Office. The Superannuation Guarantee Charge is not tax deductible and must be paid to the Tax Office, not to a superannuation fund. Please contact us should you require our assistance in preparing the SGC statement.

Superannuation Guarantee on Annual Leave Loading

The ATO have clarified their position in relation to superannuation guarantee obligations on annual leave loading payments. The superannuation guarantee (11%) is payable in relation to annual leave loading except if the annual leave loading is demonstrably referable to a notional loss of opportunity to work overtime.

Xero has now updated their payroll functionality to calculate superannuation guarantee on annual leave loading. Please manually check the setting for each employee under the "Tax" tab and select "Apply SGC on leave loading" for entitled employees.

Rental Property Purchase

The tax law allows rental property owners to make claims on depreciable assets purchased and special building write off (capital works) on eligible construction costs.

The extent of depreciation that may be claimed will vary depending upon the date of construction and the original cost of construction or later refurbishment or structural improvement. Note you can only claim a deduction for the capital works on residential rental properties if the property was built after 17 July 1985.

In order to claim you will need to obtain a tax depreciation report from a quantity surveyor which will substantiate the depreciation and capital works deductions you may be entitled to.

There are changes for property investors who acquire a second hand residential property after 10 May 2017, that contain previously used depreciating assets. You will no longer be able to claim depreciation on those assets. You will however continue to be able to claim for capital works.

The cost of obtaining a tax depreciation report is fully tax deductible and is usually quickly recouped with the tax savings generated. We recommend that you contact your WDF team or a quantity surveyor to discuss this further.

Workers Compensation

Employers in NSW who pay \$7,500 or more in annual wages are required to provide workers compensation insurance cover for their workers. This requirement is legislated under the Workers Compensation Act 1987.

Working directors and working beneficiaries of trusts are deemed to be employees for Workers Compensation purposes. Please contact our office prior to submitting your annual wages declarations so we can ensure the correct figures are reported.

Ensuring estate planning matters are in order

It is important to have in place and review periodically the following:

- Wills
- Power of attorney
- Enduring power of guardianship
- Death benefit nomination for your superannuation fund (if you consider appropriate)

Your insurance cover

Have you reviewed your insurances recently?

- Income protection
- Life & TPD (are these held by you personally or your super fund)
- Business insurances (business continuation, key person insurance)
- General insurance