



Income Tax Changes for 2023/2024

Several tax changes apply in the 2023/2024 income year. A brief summary is provided in this newsletter.

There may be some advantages in acting on some of these items before 30 June.

If you think any of these changes may affect you, please contact us for more details.



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General Year End Tax Planning Strategies

Business Income and Expenses

Subject to cash flow requirements, consider deferring income until after 30 June, especially if you expect lower income for 2024/2025 compared to 2023/2024.

Most businesses are taxed on income when it is invoiced. Some small businesses may only be taxed when income is received. Income from construction contracts is generally taxed when progress payments are invoiced or received.

Ensure that you have complied with the requirements to claim deductions in 2023/2024:

- Bad debts must be written off in your accounts before 30 June.
- Employer or self-employed superannuation contributions must be paid to, and received by, the super fund before 30 June and must be within the contributions cap (from 1 July 2023, \$27,500 for all individuals regardless of age).
- Depreciation can be claimed for assets first used, or installed ready for use, before 30 June.
- Small businesses (turnover less than \$10m), can claim expenses prepaid up to 12 months in advance – for larger businesses, this is generally limited to expenses below \$1,000.
- Wages paid to your spouse or family members must be reasonable for the work performed.

Small businesses planning major purchases or replacement of capital equipment should contact us for advice. Careful timing of those transactions can result in substantial tax savings.

Scrap any obsolete item in the asset register before 30 June. Consider delaying the sale of assets that will realise a profit on sale and bring forward any sales that will result in a loss.

Review valuations of trading stock in the lead up to 30 June. The best practice is generally to value stock at the lower of cost or market selling value.

These best practices should be revised if you expect a tax loss for 2023/2024 or substantially higher income in 2024/2025 compared to 2023/2024.

Personal Income, Deductions and Tax Offsets

Subject to cash flow requirements, set term deposits to mature after 1 July, rather than before 30 June.

Consider realising capital losses if you have already realised capital gains on other assets during 2023/2024. Conversely, consider realising capital gains if you have unrecouped capital losses, or you expect substantially higher income in 2024/2025 compared to 2023/2024.

If you expect lower income in 2024/2025 due to retirement or any other reason, consider deferring income until after 1 July, when you will be in a lower tax bracket. If you are a primary producer and you expect a permanent reduction in income, consider withdrawing from the income averaging system.

Arrange for deductible donations to be grouped in the higher income year if you expect a substantially higher or lower income in 2024/2025 compared to 2023/2024. Make all donations in the name of the higher income earner.

Other Tax Planning Considerations

Contact us for advice if you have moved to or from Australia for an extended period. You may need to review your residency status for tax purposes. There are important tax consequences if you change tax residency.

Trustees of trusts should ensure that all necessary documentation is completed before 30 June, especially where you intend to stream capital gains or franked distributions to specific beneficiaries or have beneficiaries who aren't the default beneficiaries.

Family discretionary trusts may need to make a family trust election if the trust has unrecouped losses or has beneficiaries whose total franking credits for the year may exceed \$5,000.

Be sceptical of year-end tax shelter schemes. You should not enter a scheme without advice regarding both its tax consequences and commercial viability.



Income Tax Changes – Small Businesses

Instant Asset Write Off¹

The Government announced in the 2023/24 Budget the instant asset write-off threshold will temporarily increase to \$20,000 from 1 July 2023 until 30 June 2024.

Small businesses, with aggregated turnover of less than \$10 million, will be able to immediately deduct the full cost of eligible assets costing less than \$20,000, per asset, that are first used or installed ready for use between 1 July 2023 and 30 June 2024.

Small Business Energy Incentive¹

Small and medium businesses with an annual turnover of less than \$50 million are eligible for an additional 20% deduction on spending that supports electrification and more efficient use of energy.

Eligible assets or upgrades will need to be first used or installed ready for use between 1 July 2023 and 30 June 2024. Up to \$100,000 of total expenditure will be eligible for the incentive, with the maximum bonus tax deduction being \$20,000 per business.

Incentives to Increase the Supply of Housing¹

For eligible new build-to-rent projects the capital works tax deduction depreciation rate will increase from 2.5% to 4% per year. This measure will apply to projects where construction commences after 7:30pm (AEST) on 9 May 2023.

Small Business Skills and Training Boost

The Small Business Technology Investment Boost ceased for expenditure incurred after 30 June 2023 however the Small Business Skills and Training Boost continues to apply for the 2024 year.

Small businesses with an aggregated annual turnover of less than \$50 million will be eligible for an additional 20% deduction for external training courses delivered to employees by registered training providers. The boost applies to eligible expenditure incurred from 7:30pm AEDT on 29 March 2022 to 30 June 2024.

* At the time of writing this update this measure is not yet law and is currently before Parliament.

Income Tax Changes – Individuals

Low Income Tax Offset

The low income tax offset (LITO) remains at \$700 for the 2023/2024 income year.

Motor Vehicle and Car Expenses

For individuals claiming motor vehicle expenses under the cents per kilometre method, the rate for 2023/2024 has increased to 85 cents.

Individual Tax Rates

The individual tax rates remain unchanged for the 2023/2024 income year.



From 1 July 2024 (2024/2025 income year), the legislated Stage 3 tax cuts take effect and involve:

- removing the \$120,000 to \$180,000 tax bracket
- increasing the top tax bracket threshold from \$180,000 to \$200,000
- reducing the marginal tax rate for the \$45,000 to \$200,000 tax bracket from 32.5% to 30%.

Superannuation Changes



Superannuation Changes

From 1 July 2023, changes apply to superannuation, consisting of:

- An increase in the superannuation guarantee (SG) charge percentage from 10.5% to 11% applies to payments made from 1 July 2023 irrespective of when the work was done.
- The transfer balance cap being the lifetime limit on the amount of superannuation that can be transferred into the tax-free pension phase has increased from \$1.7 million to \$1.9 million.

Superannuation Minimum Drawdown Rates

To support retirees with account-based pensions and similar products from having to sell investment assets in their self-managed super funds (SMSF) to fund minimum drawdown requirements, the Government reduced the minimum annual payment required by 50% for the 2020 – 2023 financial years. This reduction has NOT been extended for the 2023/24 income year and onwards.

Fringe Benefits Tax

FBT Rates & Thresholds for 31 March 2024

- FBT rate remains at 47%
- Record keeping exemption threshold increased to \$9,786
- Car parking threshold increased to \$10.40
- Statutory or benchmark interest rate decreased to 7.77%
- Small business turnover threshold for FBT concessions is \$50 million

FBT Record Keeping

From 1 April 2024, employers can rely on alternative records to finalise their fringe benefits tax return.

For certain benefits, employers will have a choice to use existing records in place of travel diaries or employee declarations.

If an employer chooses to use alternative records, the information they are required to keep to support their FBT return remains unchanged.

**Please contact us
to book in your
pre-30 June tax
planning service for
the 2023/24 year.**

**Wear Accountants
Tel. 07 5649 7650**